DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

Submission for OMB Review; Comment Request—Thrift Financial Report: Schedules SC, SO, VA, PD, LD, CC, CF, DI, SI, FV, FS, HC, CSS, and CCR

AGENCY: Office of Thrift Supervision (OTS), Treasury.

ACTION: Notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), OTS may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid OMB control number. On October 1, 2008, OTS requested public comment for 60 days (73 FR 57205) on a proposal to extend, with revisions, the Thrift Financial Report (TFR), which is currently an approved collection of information. The notice described regulatory reporting revisions proposed for the TFR, Schedule SC—Consolidated Statement of Condition, Schedule SO—Consolidated Statement of Operations, Schedule VA—Consolidated Valuation Allowances and Related Data, Schedule PD—Consolidated Past Due and Nonaccrual, Schedule LD—Loan Data, Schedule CC—Consolidated Commitments and Contingencies, Schedule CF—Consolidated Cash Flow Information, Schedule DI—Consolidated Deposit Information, Schedule SI—Supplemental Information, Schedule FS—Fiduciary and Related Services, Schedule HC—Thrift Holding Company, Schedule CSS—Subordinate Organization Schedule, and Schedule CCR—Consolidated Capital Requirement, and on a proposed new schedule, Schedule FV—Consolidated Assets and Liabilities Measured at Fair Value on a Recurring Basis. The changes were proposed on a phased-in basis over 2009.

The revisions would eliminate 3 lines from the TFR, eliminate Schedule CSS in its entirety, revise 24 existing items, add 240 new items (including a new Schedule FV), and eliminate confidential treatment of Schedule FS and Schedule HC data.

After considering the comments received on the proposal, OTS has adopted most of the proposed revisions, with limited exceptions in response to certain comments, on the phased-in basis that had been proposed. OTS continues to evaluate certain other proposed revisions in light of the comments received thereon and will not implement these revisions on their proposed effective dates. OTS is submitting the adopted revisions to OMB for review and approval.

DATES: Submit written comments on or before March 6, 2009. The regulatory reporting revisions described herein take effect on a phased-in basis on March 31, 2009, June 30, 2009, and December 31, 2009.

ADDRESSES: Send comments, referring to the collection by ''1550–0023 (TFR Revisions—2009)'', to OMB and OTS at these addresses: Office of Information and Regulatory Affairs, *Attention:* Desk Officer for OTS, U.S. Office of Management and Budget, 725—17th Street, NW., Room 10235, Washington, DC 20503, or by fax to (202) 395–6974; and Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, by fax to (202) 906–6518, or by e-mail to *infocollection.comments@ots.treas.gov.* OTS will post comments and the related index on the OTS Internet Site at *http://www.ots.treas.gov/?p=LawsRegulations.* In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW., Washington, DC, by appointment. To make an appointment, call (202) 906–5922, send an e-mail to *public.info@ots.treas.gov,* or send a facsimile transmission to (202) 906–7755.

FOR FURTHER INFORMATION CONTACT: For further information or to obtain a copy of the submission to OMB, please contact Ira L. Mills, OTS Clearance Officer, at *ira.mills@ots.treas.gov,* (202) 906–6531, or facsimile number (202) 906–6518, Litigation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

You can obtain a copy of the 2009 Thrift Financial Report forms from the OTS Web site at *http://www.ots.treas.gov/?p=ReportFormsBulletins* or you may request it by electronic mail from *tfr.instructions@ots.treas.gov.* You can request additional information about this proposed information collection from James Caton, Director, Financial Monitoring and Analysis Division, (202) 906–5680, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The effect of the proposed revisions to the reporting requirements of these information collections will vary from institution to institution, depending on the institution's involvement with the types of activities or transactions to which the proposed changes apply. OTS estimates that implementation of these reporting changes will result in a small increase in the current reporting burden imposed by the TFR. The following burden estimates include the effect of the proposed revisions.

Title: Thrift Financial Report.

OMB Number: 1550–0023.

Form Number: OTS 1313.

Statutory Requirement: 12 U.S.C. 1464(v) imposes reporting requirements for savings associations. Except for selected items, these information collections are not given confidential treatment.

Type of Review: Revision of currently approved collections.

Affected Public: Savings associations.

Estimated Number of Respondents and Recordkeepers: 811.

Estimated Burden Hours per Respondent: 54.68 burden hours on average.

Estimated Frequency of Response: Quarterly.

Estimated Total Annual Burden: 177,398 burden hours.

Abstract: All OTS-regulated savings associations must comply with the information collections described in this notice. OTS collects this information each calendar quarter or less frequently if so stated. OTS uses this information to monitor the condition, performance, and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole. Except for selected items, these information collections are not given confidential treatment.

I. Background

OTS last revised the form and content of the TFR in a manner that significantly affected a substantial percentage of institutions in March 2007. Revisions since March 2007 focused on specific activities and were primarily made in response to changes in generally accepted accounting principles (GAAP). These focused revisions meant that the new or revised TFR items were minor or applicable to only a small percentage of institutions.

During the past year OTS has evaluated its ongoing information needs. OTS recognizes that the TFR imposes reporting requirements, which are a component of the regulatory burden facing institutions. Another contributor to this regulatory burden is the examination process, particularly on-site examinations during which institution staff spend time and effort responding to inquiries and requests for information designed to assist examiners in evaluating the condition and risk profile of the institution. The amount of attention that examiners direct to risk areas of the institution under examination is, in large part, determined from TFR data. These data, and analytical reports including the Uniform Thrift Performance Report, assist examiners in scoping and making their preliminary assessments of risks during the planning phase of the examination.

A risk-focused review of the information from an institution's TFR allows examiners to make preliminary risk assessments prior to on-site work. The degree of perceived risk determines the extent of the examination procedures that examiners initially plan for each risk area. If the outcome of these procedures reveals a higher level of risk in a particular area, the examiner adjusts the examination scope and procedures accordingly.

TFR data are also a vital source of information for the monitoring and regulatory activities of OTS. Among their benefits, these activities aid in determining whether the frequency of an institution's examination cycle should remain at maximum allowed time intervals, thereby lessening overall regulatory burden. More risk-focused TFR data enhance the ability of OTS to assess whether an institution is experiencing changes in its risk profile that warrant immediate follow-up, which may include accelerating the timing of an on-site examination.

In developing this proposal, OTS considered a range of potential information needs, particularly in the areas of credit risk, liquidity, and liabilities, and identified those additions to the TFR that are most critical and relevant to OTS in fulfilling its supervisory responsibilities. At the same time, OTS identified certain existing TFR line items that are no longer sufficiently critical or useful to warrant their continued collection. OTS recognizes that the reporting burden that would result from the addition to the TFR of the new items discussed in this proposal would not be fully offset by the proposed elimination of, or establishment of reporting thresholds for, a limited number of other TFR items, thereby resulting in a net increase in reporting burden. After savings associations make any necessary changes to their systems and records, OTS estimated that these reporting changes would produce an average net increase of 2.0 hours per institution per year in the ongoing reporting burden of the TFR. Nevertheless, when viewing these proposed revisions to the TFR within a larger context, they are intended to maintain the effectiveness of the on- and off-site supervision activities of the OTS, which should help to control the overall regulatory burden on institutions.

II. Current Actions

On October 1, 2008, OTS requested comment on proposed revisions to the Thrift Financial Report (73 FR 57205). The proposed changes were to be implemented on a phased-in basis during 2009. A limited group of changes was proposed to take effect March 31, 2009; most revisions were proposed to take effect June 30, 2009; and a final group of revisions was proposed to take effect December 31, 2009.[1]

OTS received one comment letter on the proposed revisions from a trade group representing banks and savings associations of all sizes. The trade group noted the added burden the proposed revisions would place on institutions filing the TFR and asked that OTS adopt only those changes essential to its mission. The trade group commented on a reporting issue that was not addressed in the original proposal and recommended a revision requiring institutions to report ''reciprocal deposits'' [2] separately from brokered deposits. OTS will consider this recommendation concerning reciprocal deposits when it next assesses the need and basis for possible future revisions to the TFR. This commenter also commented on the reporting of sweep accounts from other institutions, including affiliated institutions, noting that the TFR may need to be revised depending on the resolution of how such accounts are treated for deposit insurance assessment purposes.

After considering the comments received on the proposal, OTS has decided to move forward with most of the reporting changes, with limited modifications in response to certain comments, on the phased-in basis that had been proposed. Sections III, IV, and V of this notice identify the changes proposed to take effect March 31, June 30, and December 31, 2009, respectively; and discuss the comments received on the proposed TFR revisions that OTS has decided to implement, as modified.

OTS recognizes institutions' need for lead time to prepare for reporting changes, and thus proposed the phased-in implementation schedule for 2009. TFR items that will be new or revised effective March 31, 2009, are limited in number and most are linked to changes in generally accepted accounting principles taking effect at the same time. For the March 31, 2009, report date, thrifts may provide reasonable estimates for any new or revised TFR item initially required to be reported as of that date for which the requested information is not readily available. This same policy on the use of reasonable estimates will apply to the reporting of other new or revised items when they are first implemented effective June 30 and December 31, 2009. The specific wording of the captions for the new or revised TFR line items discussed in this notice and the numbering of these items should be regarded as preliminary.

III. TFR Revisions Proposed for March 2009

OTS received no comments on revisions proposed in response to accounting changes applicable to noncontrolling (minority) interests in consolidated subsidiaries; and to a reporting addition for other-than-temporary impairment charges on debt and equity securities. Therefore, these revisions will be implemented in March 2009 as proposed.

A. Background

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, ''Noncontrolling Interests in Consolidated Financial Statements'' (FAS 160). Under this Statement, a noncontrolling interest, formerly referred to as a minority interest, is that portion of total stockholders' equity and total net income or loss that is not attributable, directly or indirectly, to the parent; that

[1] In addition, on November 26, 2008, OMB approved the Federal banking agencies' joint emergency clearance requests to add two items to Call Report Schedule RC–O, Other Data for Deposit Insurance and FICO Assessments, and to TFR Schedule DI—Consolidated Deposit Information—that are effective December 31, 2008, and that are applicable to all institutions participating in the FDIC's Transaction Account Guarantee Program. A participating institution must report the amount and number of its noninterest-bearing transaction accounts, as defined in the FDIC's regulations governing the program, of more than $250,000 in Call Report Schedule RC–O, Memorandum items 4.a and 4.b, or in TFR Schedule DI, lines DI570 and DI575. The FDIC will use this information to calculate assessments for participants in the Transaction Account Guarantee Program. Because OMB's approval of the agencies' emergency clearance request expires on May 31, 2009, the agencies proposed on December 23, 2008, under OMB's normal clearance procedures to collect these two items each quarter until the Transaction Account Guarantee Program ends. *See* 73 FR 78794.

[2] The trade group also recommended that ''reciprocal deposit'' be defined as a deposit ''obtained when an insured depository institution exchanges funds, dollar-for-dollar, with members of a network of other insured depository institutions, where each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members, and all funds placed through the network are fully insured by the FDIC.''

is, to the controlling interest. FAS 160 changes the placement of the noncontrolling interest on the balance sheet and income statement. For savings associations and holding companies with a calendar year-end, the Statement becomes effective in the first quarter of 2009. Accordingly, OTS proposes to make certain changes to Schedules SC, SO, HC, and CCR.

B. Elimination of Existing Items

1. As a result of the issuance of FAS 160 (see Background above), OTS will eliminate line CCR190, Minority Interest in Includable Subsidiaries.

C. Revision of Existing Items

1. As a result of the issuance of FAS 160 (see Background above), OTS will revise the captions of lines SC80 from ''Total Equity Capital'' to ''Total Savings Association Equity Capital'', SC800 from ''Minority Interest'' to ''Noncontrolling Interests in Consolidated Subsidiaries'', SC90 from ''Total Liabilities, Minority Interest, and Equity Capital'' to ''Total Liabilities and Equity Capital'', SO 91 from ''Net Income (Loss)'' to ''Net Income (Loss) Attributable to Savings Association'', HC620 from ''Minority Interest'' to ''Noncontrolling Interests in Consolidated Subsidiaries'', HC640 from ''Consolidated Net Income for the Quarter'' to ''Consolidated Net Income (Loss) Attributable to Holding Company'', CCR100 from ''Total Equity Capital (SC80)'' to ''Total Equity Capital (SC84)'', and CCR105 from ''Minority Interest in Nonincludable Subsidiaries'' to ''Investments in, Advances to, and Noncontrolling Interests in Nonincludable Subsidiaries''.

D. New Items

1. As a result of the issuance of FAS 160 (see Background above), OTS proposes to add lines SC84, Total Equity Capital; SO88, Net Income (Loss) Attributable to Savings Association and Noncontrolling Interests; SO880, Net Income (Loss) Attributable to Noncontrolling Interests; and HC635, Consolidated Net Income (Loss) Attributable to Holding Company and Noncontrolling Interests.

2. To separately capture impairment charges on debt and equity securities, OTS proposes to add line SO441, Other-than-Temporary Impairment Charges on Debt and Equity Securities.

E. Eliminating Confidential Treatment of Schedule FS and Schedule HC Data

OTS has, to this point, provided confidential treatment to some of the information that certain institutions report in Schedule FS—Fiduciary and Related Services, on fiduciary and related services income, settlements, surcharges and other losses reported on lines FS310 through FS35, and FS710 through FS70. OTS also accords confidential treatment to all of the information that certain institutions report in Schedule HC—Thrift Holding Company.

An important public policy issue for the federal banking regulatory agencies has been how to use market discipline to complement supervisory resources. Market discipline relies on market participants having sufficient appropriate information about the financial condition and risks of banks, thrifts, and their holding companies. The TFR is widely used by securities analysts, rating agencies, and large institutional investors as sources of thrift-specific data. Disclosure that increases transparency should lead to more accurate market assessments of individual banks' performance and risks. This, in turn, should result in more effective market discipline on thrifts. For these reasons, we proposed eliminating the confidential treatment of data reported on schedules FS and HC.

1. Eliminating Confidential Treatment of Schedule FS Data

The trade group commenting on the proposed revisions opposed eliminating the confidential treatment of fiduciary income and loss data, stating that the agencies' original reason for according confidential treatment to these data, i.e., that these data generally pertain to only a portion of a reporting institution's total operations and not to the institution as a whole, still holds true. This commenter also cited significant competitive concerns with the proposed elimination of confidential treatment because making income and loss data publicly available ''may make it possible for competitors to deduce'' an individual institution's fee schedules. In addition, this commenter believed that these publicly disclosed data may be subject to misinterpretation by market participants who would lack a proper understanding of the scope of the income and loss data reported in Schedule FS because fiduciary income and loss data are presented differently in institutions' audited financial statements prepared in accordance with GAAP. Therefore, this commenter believes that institutions' financial statements can satisfy market participants' needs for fiduciary income and loss data. Finally, this commenter stated that market participants may be confused or misled by the fiduciary income and loss information because they would be unable to determine the source or specific fiduciary activity giving rise to the income or loss.

Data on fiduciary and related services income and losses is treated as confidential on an individual institution basis. Nevertheless, OTS publishes aggregate data derived from these confidential items. OTS does not preclude institutions from publicly disclosing the fiduciary and related services income and loss data that the agencies treat as confidential.

In addition, under the Uniform Interagency Trust Rating System, the agencies assign a rating to the earnings of an institution's fiduciary activities at those institutions with fiduciary assets of more than $100 million, which are also the institutions that report their fiduciary and related services income and losses in Call Report Schedule RC–T and TFR Schedule FS. The agencies' evaluation of an institution's trust earnings considers such factors as the profitability of fiduciary activities in relation to the size and scope of those activities and the institution's overall business, taking this into account by functions and product lines. Although the agencies' ratings for individual institutions are not publicly available, the reason for rating the trust earnings of institutions with more than $100 million in fiduciary assets—its effect on the financial condition of the institution—means that fiduciary and related services income and loss information for these institutions is also relevant to market participants and others in the public as they seek to evaluate the financial condition and performance of individual institutions. Increasing the transparency of institutions' fiduciary activities by making individual institutions' fiduciary income and loss data available to the public should improve the market's ability to assess these institutions' performance and risks and thereby enhance market discipline.

Although the fiduciary income and loss data currently reported in Schedule FS and afforded confidential treatment apply only to a portion of an institution rather than an entire institution, all other data collected in Schedule FS of the TFR is publicly available, even when the data relates only to portions of an institution's activities.

OTS continues to believe that the benefit of increased transparency from the full disclosure of fiduciary income and loss data will improve market discipline by enhancing the market's ability to assess institution-specific performance and risks. After carefully considering the comments on the public availability of fiduciary income and loss data reported in Schedule FS, OTS is adopting the proposal to eliminate the confidential treatment of such data beginning with the data reported as of March 31, 2009.

2. Eliminating Confidential Treatment of Schedule HC Data

The trade group commenting on the proposed revisions recommended a bifurcated approach to eliminating the confidential treatment of Schedule HC data filed by holding companies. The commenter felt that eliminating confidential treatment of Schedule HC data is appropriate for publicly-held thrift holding companies, but should not be eliminated for privately-held thrift holding companies. However, many public requests are received for these data. In addition, some rating agencies have indicated thrift holding company debt ratings suffer due to the lack of publicly available data. Additionally, Federal Reserve Board Schedule Y–9 filed by bank holding companies is publicly available on consolidated and unconsolidated bases for both publicly and privately owned bank holding companies. It is reasonable that OTS should be consistent with the FRB's treatment of holding company financial information.

Thus, after carefully considering the comments on the public availability of Schedule HC data, OTS is adopting the proposal to eliminate the confidential treatment of such data beginning with the data reported as of March 31, 2009.

IV. TFR Revisions Proposed for June 2009

OTS received no comments related to the following revisions proposed to be effective as of June 2009. Accordingly, these revisions are adopted as proposed.

A. Elimination of Existing Items

1. Schedule SI—Consolidated Supplemental Information

SI805, Do you sell private-label or third-party mutual funds and annuities?; and

SI860, Fee Income from the Sale and Servicing of Mutual Funds and Annuities.

Line SI805 is a yes/no question regarding the sale of private label or third party mutual funds and annuities. Line SI860 reports the amount of fee income from the sale and servicing of mutual funds and annuities. Institutions that provided a yes response to line SI805 will now provide the same response to new line SI910. OTS believes the data reported in line SI860 can be collected independently of the TFR reporting system during the examination process.

B. Revisions of Existing Items

1. Revising the caption for line SO430 from ''Noninterest Income—Net Income (Loss) from Other—Sale of Assets Held for Sale and Available-for-Sale Securities'' to ''Noninterest Income—Net Income (Loss) from Other—Sale of Available-for-Sale Securities'' to separately report gains and losses on the sale of available-for-sale securities from gains and losses on loans and leases held for sale and on other assets held for sale. Gains and losses on loans and leases held for sale and on other assets held for sale would be reported in new lines SO431 and SO432 described below; and

2. Revising the language for question HC840 from ''Is the holding company or any of its subsidiaries regulated by a foreign financial services regulator?'' to ''Is the holding company or any of its affiliates conducting operations outside of the U.S. through a foreign branch or subsidiary?'' This line is being revised to more fully identify holding companies with foreign operations, including parallel banking operations. A parallel banking organization exists when at least one U.S. bank and one foreign financial institution are controlled either directly or indirectly by the same person or group of persons who are closely associated in their business dealings or otherwise acting together, but are not subject to consolidated supervision by a single home country supervisor. A foreign financial institution includes a holding company of the foreign bank and any U.S. or foreign affiliates of the foreign bank.

C. New Items

1. Noninterest Income

OTS proposes to add two lines related to gains and losses on the sale of loans and leases held for sale and on other assets held for sale:

SO431, Noninterest Income—Net Income (Loss) from Other—Sale of Loans and Leases Held for Sale; and

SO432, Noninterest Income—Net Income (Loss) from Other—Sale of Other Assets Held for Sale.

These new lines, in conjunction with the revised line SO430 described above, will allow thrifts to separately report gains and losses on the sale of available-for-sale securities, on loans and leases held for sale, and on other assets held for sale.

2. Loans in Process of Foreclosure

OTS proposes to add a series of eight lines to Schedule PD related to loans in the process of foreclosure:

PD40, Total Loans in Process of Foreclosure;

PD415, Construction Loans in Process of Foreclosure;

PD421, 1–4 Dwelling Units Secured by Revolving Open-End Loans in Process of Foreclosure;

PD423, 1–4 Dwelling Units Secured by First Liens in Process of Foreclosure;

PD424, 1–4 Dwelling Units Secured by Junior Liens in Process of Foreclosure;

PD425, Multifamily (5 or more) Dwelling Units in Process of Foreclosure;

PD435, Nonresidential Property (Except Land) in Process of Foreclosure; and

PD438, Land Loans in Process of Foreclosure.

OTS believes these new line items will provide additional detail on the various types of real estate loans in the process of foreclosure. With these new data items, OTS will be better able to monitor the asset quality and risk profiles of thrifts.

Thrifts would report total unpaid principal balance of loans secured by the various types of real estate for which formal foreclosure proceedings to seize the real estate collateral have started and are ongoing as of quarter-end, regardless of the date the foreclosure procedure was initiated. Loans would be classified as in process of foreclosure according to local requirements.

3. Construction Loans With Capitalized Interest

OTS proposes to add a series of six lines to Schedule LD related to construction loans with capitalized interest:

LD710, Construction Loans on 1—4 Dwelling Units with Capitalized Interest;

LD715, Capitalized Interest on Construction Loans on 1—4 Dwelling Units Included in Current Quarter Income;

LD720, Construction Loans on Multifamily (5 or More) Dwelling Units with Capitalized Interest;

LD725, Capitalized Interest on Construction Loans on Multifamily (5 or More) Dwelling Units Included in Current Quarter Income;

LD730, Construction Loans on Nonresidential Property (Except Land) with Capitalized Interest; and

LD735, Capitalized Interest on Construction Loans on Nonresidential Property (Except Land) Included in Current Quarter Income.

OTS believes these new line items will provide additional detail on the use of capitalized interest in connection with various types of construction loans. With these new data items, OTS will be better able to monitor the risk profiles of thrifts with concentrations of construction loans.

4. Collateralized Debt Obligations, Collateralized Loan Obligations, and Commercial Mortgage-Backed Securities (CMBSs)

OTS proposes to add a series of six lines to Schedule LD to provide additional reporting detail on collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), and commercial mortgage-backed securities (CMBSs):

LD750, Collateralized Debt Obligations: Carrying Value;

LD755, Collateralized Debt Obligations: Market Value;

LD760, Collateralized Loan Obligations: Carrying Value;

LD765, Collateralized Loan Obligations: Market Value;

LD770, Commercial Mortgage-Backed Securities: Carrying Value; and

LD775, Commercial Mortgage-Backed Securities: Market Value.

CDOs are a type of asset-backed security and structured credit product. CDOs are constructed from a portfolio of fixed-income assets that are pooled together and passed on to different classes of owners.

CLOs are a type of asset-backed security and structured credit product. CLOs are structured from a portfolio of nonmortgage business loans that are pooled together and passed on to different classes of owners.

CMBSs are a type of asset-backed security and structured credit product. CMBSs are structured from a portfolio of commercial mortgage loans that are pooled together and passed on to different classes of owners.

5. Recourse Obligations on Loans in Line CC468

OTS proposes to add two lines to Schedule CC related to recourse obligations on loans in CC468, Amount of Recourse Obligations on Assets in CC455 (Line CC455 is the Total Principal Amount of Assets Covered by Recourse Obligations or Direct Credit Substitutes):

CC469, Amount of Recourse Obligations on Loans in CC468 where Recourse Is Limited to 120 Days or Less; and

CC471, Amount of Recourse Obligations on Loans in CC468 where Recourse Extends Beyond 120 Days.

OTS believes these new line items will provide additional detail on the amount of assets with recourse obligations held by thrifts.

6. Loans Sold With Recourse

OTS proposes to add two lines to Schedule CF related to loans sold during the current reporting period with recourse obligations:

CF365, Memo—Loans Sold with Recourse of 120 Days or Less; and

CF366, Memo—Loans Sold with Recourse Greater Than 120 Days.

OTS believes these new line items will provide additional detail on the quarterly amount of loans sold with recourse obligations held by thrifts.

7. Additions for Deposit Assessment-Related Purposes

At the request of the Federal Deposit Insurance Corporation for deposit assessment-related purposes, the OTS proposes to add the following seven lines to Schedule DI:

DI630, Unsecured Federal Funds Purchased;

DI635, Secured Federal Funds Purchased;

DI641, Securities Sold Under Agreements to Repurchase;

DI645, Unsecured ''Other Borrowings''—With a Remaining Maturity of One Year or Less;

DI651, Unsecured ''Other Borrowings''—With a Remaining Maturity of Over One Year;

DI655, Subordinated Debentures—With a Remaining Maturity of One Year or Less; and

DI660, Subordinated Debentures—With a Remaining Maturity of Over One Year.

The additional reporting detail by maturity is proposed as the FDIC plans to provide a reduction in assessment rates to institutions with longer-term unsecured borrowings and subordinated debt. The FDIC believes that such borrowing and debt will likely remain when an institution fails, thus providing a cushion to help protect the Deposit Insurance Fund.

The trade group commenting on the proposed revisions expressed support for the reporting of maturity distributions of unsecured other borrowings and subordinated debt on Schedule DI, stating that the data would enable the FDIC to implement an adjustment to the risk-based assessment system so that insured depository institutions with greater amounts of general unsecured long-term liabilities could be rewarded with a lower assessment rate.

8. Pledged Loans and Securities

OTS proposes to add two lines to Schedule SI related to loans and securities pledged as collateral for loans:

SI394, Pledged Loans; and

SI395, Pledged Trading Assets.

OTS believes these new line items will provide additional detail on the amount of loans and securities pledged by thrifts as collateral for loans. These data items will permit OTS to better monitor the risk profiles of thrifts with concentrations of pledged loans and securities and are consistent with reporting being added to the Call Report in 2009.

9. Questions Relating to Thrift Activities

OTS proposes to add the following four new questions to Schedule SI:

SI900, ''Does the institution, without trust powers, act as trustee or custodian for Individual Retirement Accounts, Health Savings Accounts, and other similar accounts that are invested in non-deposit products?'';

SI905, ''Does the institution provide custody, safekeeping or other services involving the acceptance of orders for the sale or purchase of securities?'';

SI910, ''Does the institution engage in third party broker arrangements, commonly referred to as ''networking'', to sell securities products or services to thrift customers?''; and

SI915, ''Does the institution sweep deposit funds into any open-end investment management company registered under the Investment Company Act of 1940 that holds itself out as a money market fund?''.

The questions relate to certain brokerage activities such as whether a thrift is a trustee or custodian for certain types of accounts or provides certain services in connection with orders for securities transactions regardless of whether the thrift exercises trust powers.

10. Holding Company Data

OTS proposes to add a series of 30 lines to Schedule HC to provide additional detailed data on the thrift holding company parent and on a consolidated basis:

HC221, Parent Only Perpetual Preferred Stock: Cumulative;

HC222, Parent Only Perpetual Preferred Stock: Noncumulative;

HC223, Parent Only Common Stock: Par Value;

HC224, Parent Only Common Stock: Paid in Excess of Par;

HC225, Parent Only Accumulated Other Comprehensive Income: Unrealized Gains (Losses) on Available-for-Sale Securities;

HC226, Parent Only Accumulated Other Comprehensive Income: Gains (Losses) on Cash Flow Hedges;

HC227, Parent Only Accumulated Other Comprehensive Income: Other;

HC228, Parent Only Retained Earnings;

HC229, Parent Only Other Components of Equity Capital;

HC301, Parent Only Cash, Deposits, and Investment Securities;

HC505, Parent Only Interest Income;

HC509, Parent Only Total Income;

HC570, Parent Only Total Expense;

HC571, Parent Only Total Income Taxes;

HC575, Parent Only Dividends Paid;

HC601, Consolidated Cash, Deposits, and Investment Securities;

HC621, Consolidated Perpetual Preferred Stock: Cumulative;

HC622, Consolidated Perpetual Preferred Stock: Noncumulative;

HC623, Consolidated Common Stock: Par Value;

HC624, Consolidated Common Stock: Paid in Excess of Par;

HC625, Consolidated Accumulated Other Comprehensive Income: Unrealized Gains (Losses) on Available-for-Sale Securities;

HC626, Consolidated Accumulated Other Comprehensive Income: Gains (Losses) on Cash Flow Hedges;

HC627, Consolidated Accumulated Other Comprehensive Income: Other;

HC628, Consolidated Only Retained Earnings;

HC629, Consolidated Only Other Components of Equity Capital.

HC705, Consolidated Interest Income;

HC709, Consolidated Total Income;

HC770, Consolidated Total Expense;

HC771, Consolidated Total Income Taxes; and

HC775, Consolidated Dividends Paid.

OTS believes these new line items will provide additional detail on thrift holding companies. With these new data items, OTS will be better able to monitor the risk profiles of thrift holding companies.

D. Comments Addressing June 30, 2009, Proposed Revisions

OTS received comments addressing each of the following proposed June 30, 2009, revisions:

1. Credit Card Charge-Offs Related to Accrued Interest

OTS proposes to add a line, VA979, Credit Card Charge-Offs Related to Accrued Interest, to capture data on the amount of credit card charge-offs that are due to accrued interest. This change is being made at the request of the FDIC to improve their deposit insurance premium assessment process.

The commenter noted that compliance with this new line item would be difficult for those thrift institutions (including those that use a third-party processor for servicing credit cards) that do not presently capture data on the amount of credit card charge-offs that are due to accrued interest. Since that specific charge-off data is not currently required to be reported on the TFR, the accrued interest is sometimes added to the credit card loan amount and is not tracked as a separate line item. Not all thrift institutions that offer credit cards to their customers have the proposed data readily available within the thrift institution or from their third-party processor to separately report the accrued interest portion of the charge-off.

The commenter expressed concern that third-party credit card processors may not be able to readily provide the new data on the amount of credit card charge-offs that are due to accrued interest.

After considering these comments, OTS has decided to move forward with the addition as proposed. OTS believes that the data to be added should presently be available within an institution's accounting systems.

2. High Loan-to-Value Loans Secured by Multifamily Properties Without PMI or Government Guarantee

The commenter noted generally the need for OTS to provide clear instructions for the revisions to be implemented in 2009. Specifically, the commenter recommended that OTS provide clear instructions for the 16 new line items presented below being added to Schedule LD related to high loan-to-value loans secured by multifamily properties without private mortgage insurance (PMI) or government guarantee:

LD111, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Balances at Quarter-End: 90% up to 100% LTV;

LD121, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Balances at Quarter-End: 100% and greater LTV;

LD211, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Past Due and Still Accruing: 30–89 Days: 90% up to 100% LTV;

LD221, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Past Due and Still Accruing: 30–89 Days: 100% and greater LTV;

LD231, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Past Due and Still Accruing: 90 Days or More: 90% up to 100% LTV;

LD241, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Past Due and Still Accruing: 90 Days or More: 100% and greater LTV;

LD251, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Nonaccrual: 90% up to 100% LTV;

LD261, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Past Due and Nonaccrual Balances: Nonaccrual: 100% and greater LTV;

LD311, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Charge-offs and Recoveries: Net Charge-offs (including Specific Valuation Allowance Provisions & Transfers from General to Specific Allowances): 90% up to 100% LTV;

LD321, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Charge-offs and Recoveries: Net Charge-offs (including Specific Valuation Allowance Provisions & Transfers From General to Specific Allowances): 100% and greater LTV;

LD411, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Purchases: 90% up to 100% LTV;

LD421, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Purchases: 100% and greater LTV;

LD431, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Originations: 90% up to 100% LTV;

LD441, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Originations: 100% and greater LTV;

LD451, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Sales: 90% up to 100% LTV; and

LD461, High Loan-to-Value Loans Secured by Multifamily Properties without PMI or Government Guarantee: Sales: 100% and greater LTV.

OTS has decided to add these lines as proposed. OTS believes these new line items will provide additional detail on high loan-to-value loans secured by multifamily properties held by thrifts, including detail on delinquencies, nonaccruals, and net charge-offs, and data on such loans originated, purchased, or sold during the reporting period. With these new data items, OTS will be better able to monitor the risk profiles of thrifts with concentrations of high loan-to-value multifamily mortgage loans.

3. Deposits Gathered Through CDARS

OTS proposes to add a line to Schedule DI related to deposits gathered through the *Certificate of Deposit Account Registry Service* (CDARS):

DI230, Deposits Gathered through CDARS.

CDARS member institutions accept depositor funds and place these into certificates of deposit issued by financial institutions in the network. This occurs in amounts that ensure that both principal and interest are eligible for full FDIC insurance. OTS believes this new line item will provide additional detail on the deposit funding sources used by thrifts.

The commenter recommended that the TFR be amended to break out ''reciprocal'' deposits in a separate line item from broker-originated deposits that are currently reported on Schedule DI. A reciprocal deposit is obtained when an insured depository institution exchanges funds, dollar-for-dollar, with members of a network of other insured depository institutions, where each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members, and all funds placed through the network are fully insured by the FDIC. Such an arrangement enables a member of the network to offer its customers a convenient means to obtain access to FDIC insurance on large deposits by working solely with the bank or thrift with which the customer has a relationship. As a result, the bank or thrift is able to accept the large deposits without having to post collateral, which in turn makes more funds available to meet the credit needs of the community.

OTS will consider this recommendation concerning reciprocal deposits when it next assesses the need and basis for possible future revisions to the TFR. OTS has decided to add this line as proposed.

V. TFR Revisions Proposed for December 2009

OTS received no comments related to the following revisions proposed to be effective as of December 2009. Accordingly, these revisions are adopted as proposed.

A. Burden-Reducing Revision

1. Eliminating Schedule CSS—Subordinate Organization Schedule

OTS proposes to eliminate Schedule CSS from the TFR. Twenty-three line items are presently collected annually as of December 31, for each and every required subordinate organization owned directly or indirectly by the savings association. OTS believes these data can be collected independently of the TFR reporting system during the normal onsite or offsite examination process. In the most recent Schedule CSS filing for the reporting period ending December 31, 2007, 337 thrifts reported data for 666 subsidiary organizations and 492 thrifts reported no Schedule CSS data.

B. New Items

1. Schedule FV—Consolidated Assets and Liabilities Measured at Fair Value on a Recurring Basis

Effective for the March 31, 2007, report date, OTS began collecting information on certain assets and liabilities measured at fair value in Schedule SI. The data collected on Schedule SI are intended to be consistent with the fair value disclosures and other requirements in FASB Statement No. 157, *Fair Value Measurements* (FAS 157).

Based on the OTS's ongoing review of industry reporting and disclosure practices since the inception of this standard, and the reporting of items at fair value on Schedule SI, OTS is proposing to expand the data collected from thrifts with total assets greater than $10 billion.

To improve the consistency of data collected with the FAS 157 disclosure requirements and industry disclosure practices, OTS is proposing to add a new Schedule FV for thrifts with total assets greater than $10 billion to the TFR to expand the detail of fair value data collected on Schedule SI in a manner consistent with the asset and liability breakdowns on Schedule RC, Balance Sheet, as proposed by the banking agencies for the Call Report.

OTS has determined that the proposed information is necessary to more accurately assess the impact of fair value accounting and fair value measurements for safety and soundness purposes at the largest thrifts. The collection of the information as proposed will facilitate and enhance OTS's ability to monitor the extent of fair value accounting in thrifts' Reports of Condition pursuant to the disclosure requirements of FAS 157. The information to be collected is consistent with the disclosures required by FAS 157 and consistent with industry practice for reporting fair value measurements and should, therefore, not impose significant incremental burden on thrifts with total assets greater than $10 billion. The following 75 new line items are proposed for Schedule FV:

FV110, Federal Funds Sold and Securities Purchased Under Agreements to Resell—Total Fair Value Reported;

FV111, Federal Funds Sold and Securities Purchased Under Agreements to Resell—Amounts Netted in the Determination of Fair Value;

FV112, Federal Funds Sold and Securities Purchased Under Agreements to Resell—Level 1 Fair Value Measurements;

FV113, Federal Funds Sold and Securities Purchased Under Agreements to Resell—Level 2 Fair Value Measurements;

FV114, Federal Funds Sold and Securities Purchased Under Agreements to Resell—Level 3 Fair Value Measurements;

FV120, Trading Securities—Total Fair Value Reported;

FV121, Trading Securities—Amounts Netted in the Determination of Fair Value;

FV122, Trading Securities—Level 1 Fair Value Measurements;

FV123, Trading Securities—Level 2 Fair Value Measurements;

FV124, Trading Securities—Level 3 Fair Value Measurements;

FV130, Available-for-Sale Securities—Total Fair Value Reported;

FV131, Available-for-Sale Securities—Amounts Netted in the Determination of Fair Value;

FV132, Available-for-Sale Securities—Level 1 Fair Value Measurements;

FV133, Available-for-Sale Securities—Level 2 Fair Value Measurements;

FV134, Available-for-Sale Securities—Level 3 Fair Value Measurements;

FV210, Loans and Leases—Total Fair Value Reported;

FV211, Loans and Leases—Amounts Netted in the Determination of Fair Value;

FV212, Loans and Leases—Level 1 Fair Value Measurements;

FV213, Loans and Leases—Level 2 Fair Value Measurements;

FV214, Loans and Leases—Level 3 Fair Value Measurements;

FV240, Mortgage Servicing Rights—Total Fair Value Reported;

FV241, Mortgage Servicing Rights—Amounts Netted in the Determination of Fair Value;

FV242, Mortgage Servicing Rights—Level 1 Fair Value Measurements;

FV243, Mortgage Servicing Rights—Level 2 Fair Value Measurements;

FV244, Mortgage Servicing Rights—Level 3 Fair Value Measurements;

FV250, Derivative Assets—Total Fair Value Reported;

FV251, Derivative Assets—Amounts Netted in the Determination of Fair Value;

FV252, Derivative Assets—Level 1 Fair Value Measurements;

FV253, Derivative Assets—Level 2 Fair Value Measurements;

FV254, Derivative Assets—Level 3 Fair Value Measurements;

FV310, All Other Financial Assets—Total Fair Value Reported;

FV311, All Other Financial Assets—Amounts Netted in the Determination of Fair Value;

FV312, All Other Financial Assets—Level 1 Fair Value Measurements;

FV313, All Other Financial Assets—Level 2 Fair Value Measurements;

FV314, All Other Financial Assets—Level 3 Fair Value Measurements;

FV360, Total Assets Measured at Fair Value on a Recurring Basis—Total Fair Value Reported;

FV361, Total Assets Measured at Fair Value on a Recurring Basis—Amounts Netted in the Determination of Fair Value;

FV362, Total Assets Measured at Fair Value on a Recurring Basis—Level 1 Fair Value Measurements;

FV363, Total Assets Measured at Fair Value on a Recurring Basis—Level 2 Fair Value Measurements;

FV364, Total Assets Measured at Fair Value on a Recurring Basis—Level 3 Fair Value Measurements;

FV410, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase—Total Fair Value Reported;

FV411, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase—Amounts Netted in the Determination of Fair Value;

FV412, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase—Level 1 Fair Value Measurements;

FV413, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase—Level 2 Fair Value Measurements;

FV414, Federal Funds Purchased and Securities Sold Under Agreements to Repurchase—Level 3 Fair Value Measurements;

FV420, Deposits—Total Fair Value Reported;

FV421, Deposits—Amounts Netted in the Determination of Fair Value;

FV422, Deposits—Level 1 Fair Value Measurements;

FV423, Deposits—Level 2 Fair Value Measurements;

FV424, Deposits—Level 3 Fair Value Measurements;

FV440, Subordinated Debentures—Total Fair Value Reported;

FV441, Subordinated Debentures—Amounts Netted in the Determination of Fair Value;

FV442, Subordinated Debentures—Level 1 Fair Value Measurements;

FV443, Subordinated Debentures—Level 2 Fair Value Measurements;

FV444, Subordinated Debentures—Level 3 Fair Value Measurements;

FV460, Other Borrowings—Total Fair Value Reported;

FV461, Other Borrowings—Amounts Netted in the Determination of Fair Value;

FV462, Other Borrowings—Level 1 Fair Value Measurements;

FV463, Other Borrowings—Level 2 Fair Value Measurements;

FV464, Other Borrowings—Level 3 Fair Value Measurements;

FV470, Derivative Liabilities—Total Fair Value Reported;

FV471, Derivative Liabilities—Amounts Netted in the Determination of Fair Value;

FV472, Derivative Liabilities—Level 1 Fair Value Measurements;

FV473, Derivative Liabilities—Level 2 Fair Value Measurements;

FV474, Derivative Liabilities—Level 3 Fair Value Measurements;

FV490, All Other Financial Liabilities—Total Fair Value Reported;

FV491, All Other Financial Liabilities—Amounts Netted in the Determination of Fair Value;

FV492, All Other Financial Liabilities—Level 1 Fair Value Measurements;

FV493, All Other Financial Liabilities—Level 2 Fair Value Measurements;

FV494, All Other Financial Liabilities—Level 3 Fair Value Measurements;

FV510, Total Liabilities Measured at Fair Value on a Recurring Basis—Total Fair Value Reported;

FV511, Total Liabilities Measured at Fair Value on a Recurring Basis—Amounts Netted in the Determination of Fair Value;

FV512, Total Liabilities Measured at Fair Value on a Recurring Basis—Level 1 Fair Value Measurements;

FV513, Total Liabilities Measured at Fair Value on a Recurring Basis—Level 2 Fair Value Measurements; and

FV514, Total Liabilities Measured at Fair Value on a Recurring Basis—Level 3 Fair Value Measurements.

C. Comments Addressing December 31, 2009, Proposed Revisions to Schedule FS

OTS received comments addressing the following proposed December 31, 2009, revisions to Schedule FS:

1. Fiduciary and Related Services Data

The revisions to Schedule FS include breaking out foundations and endowments as well as investment advisory agency accounts as separate types of fiduciary accounts in the schedule's sections for reporting fiduciary and related assets and income; adding items for Individual Retirement Accounts and similar accounts included in fiduciary and related assets; expanding the breakdown of managed assets by type of asset to cover all types of fiduciary accounts; revising the manner in which discretionary investments in common trust funds and collective investment funds are reported in the breakdown of managed assets by type of asset and adding new asset types to this breakdown of managed assets; adding items for the market value of discretionary investments in proprietary mutual funds and the number of managed accounts holding such investments; and adding items for the number and principal amount outstanding of debt issues in substantive default for which the institution serves as indenture trustee.

The following 14 line items would be revised in Schedule FS:

Revising the caption for line FS260 from ''Investment Management Agency Accounts—Amount of Managed Assets'' to ''Investment Management and Investment Advisory Accounts—Amount of Managed Assets'';

Revising the caption for line FS262 from ''Investment Management Agency Accounts—Number of Managed Accounts'' to ''Investment Management and Investment Advisory Accounts—Number of Managed Accounts'';

Revising the caption for line FS360 from ''Investment Management Agency Accounts'' to ''Investment Management & Investment Advisory Accounts'';

Revising line FS410 to Noninterest-Bearing Deposits—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS415 to Interest-Bearing Deposits—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS420 to U.S. Treasury and U.S. Government Agency Obligations—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS425 to State, County, and Municipal Obligations—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS430 to Common Trust Funds and Collective Investment Funds—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS435 to Mutual Funds—Equity—Employee Benefit and Other Individual Retirement Accounts;

Revising line FS440 to Mutual Funds—Money Market—All Other Accounts;

Revising line FS445 to Mutual Funds—Other—Total;

Revising line FS450 to Short-Term Obligations—Personal Trust and Agency, Investment Management Agency Accounts;

Revising line FS455 to Other Notes and Bonds—Personal Trust and Agency, Investment Management Agency Accounts; and

Revising line FS460 to Common and Preferred Stocks—Personal Trust and Agency, Investment Management Agency Accounts.

The following 74 line items would be added to Schedule FS:

FS234, IRAs, HSAs, and Similar Accounts—Amount of Managed Assets;

FS235, IRAs, HSAs, and Similar Accounts—Amount of Nonmanaged Assets;

FS236, IRAs, HSAs, and Similar Accounts—Number of Managed Accounts;

FS237, IRAs, HSAs, and Similar Accounts—Number of Nonmanaged Accounts;

FS261, Investment Management and Investment Advisory Accounts—Amount of Nonmanaged Assets;

FS263, Investment Management and Investment Advisory Accounts—Number of Nonmanaged Accounts;

FS264, Foundations and Endowments—Amount of Managed Assets;

FS265, Foundations and Endowments—Amount of Nonmanaged Assets;

FS266, Foundations and Endowments—Number of Managed Accounts;

FS267, Foundations and Endowments—Number of Nonmanaged Accounts;

FS411, Noninterest-Bearing Deposits—Employee Benefit and Other Individual Retirement Accounts;

FS412, Noninterest-Bearing Deposits—All Other Accounts;

FS413, Noninterest-Bearing Deposits—Total;

FS416, Interest-Bearing Deposits—Employee Benefit and Other Individual Retirement Accounts;

FS417, Interest-Bearing Deposits—All Other Accounts;

FS418, Interest-Bearing Deposits—Total;

FS421, U.S. Treasury and U.S. Government Agency Obligations—Employee Benefit and Other Individual Retirement Accounts;

FS422, U.S. Treasury and U.S. Government Agency Obligations—All Other Accounts;

FS423, U.S. Treasury and U.S. Government Agency Obligations—Total;

FS426, State, County, and Municipal Obligations—Employee Benefit and Other Individual Retirement Accounts;

FS427, State, County, and Municipal Obligations—All Other Accounts;

FS428, State, County, and Municipal Obligations—Total;

FS430, Common Trust Funds and Collective Investment Funds—Personal Trust and Agency, Investment Management Agency Accounts;

FS431, Common Trust Funds and Collective Investment Funds—Employee Benefit and Other Individual Retirement Accounts;

FS432, Common Trust Funds and Collective Investment Funds—All Other Accounts;

FS433, Common Trust Funds and Collective Investment Funds—Total;

FS434, Mutual Funds—Equity—Personal Trust and Agency, Investment Management Agency Accounts;

FS435, Mutual Funds—Equity—Employee Benefit and Other Individual Retirement Accounts;

FS436, Mutual Funds—Equity—All Other Accounts;

FS437, Mutual Funds—Equity—Total;

FS438, Mutual Funds—Money Market—Personal Trust and Agency, Investment Management Agency Accounts;

FS439, Mutual Funds—Money Market—Employee Benefit and Other Individual Retirement Accounts;

FS440, Mutual Funds—Money Market—All Other Accounts;

FS441, Mutual Funds—Money Market—Total;

FS442, Mutual Funds—Other—Personal Trust and Agency, Investment Management Agency Accounts;

FS443, Mutual Funds—Other—Employee Benefit and Other Individual Retirement Accounts;

FS444, Mutual Funds—Other—All Other Accounts;

FS445, Mutual Funds—Other—Total;

FS450, Short-Term Obligations—Personal Trust and Agency, Investment Management Agency Accounts;

FS451, Short-Term Obligations—Employee Benefit and Other Individual Retirement Accounts;

FS452, Short-Term Obligations—All Other Accounts;

FS453, Short-Term Obligations—Total;

FS455, Other Notes and Bonds—Personal Trust and Agency, Investment Management Agency Accounts;

FS456, Other Notes and Bonds—Employee Benefit and Other Individual Retirement Accounts;

FS457, Other Notes and Bonds—All Other Accounts;

FS458, Other Notes and Bonds—Total;

FS460, Common and Preferred Stocks—Personal Trust and Agency, Investment Management Agency Accounts;

FS461, Common and Preferred Stocks—Employee Benefit and Other Individual Retirement Accounts;

FS462, Common and Preferred Stocks—All Other Accounts;

FS463, Common and Preferred Stocks—Total;

FS465, Real Estate Mortgages—Personal Trust and Agency, Investment Management Agency Accounts;

FS466, Real Estate Mortgages—Employee Benefit and Other Individual Retirement Accounts;

FS467, Real Estate Mortgages—All Other Accounts;

FS468, Real Estate Mortgages—Total;

FS470, Real Estate—Personal Trust and Agency, Investment Management Agency Accounts;

FS471, Real Estate—Employee Benefit and Other Individual Retirement Accounts;

FS472, Real Estate—All Other Accounts;

FS473, Real Estate—Total;

FS475, Miscellaneous Assets—Personal Trust and Agency, Investment Management Agency Accounts;

FS476, Miscellaneous Assets—Employee Benefit and Other Individual Retirement Accounts;

FS477, Miscellaneous Assets—All Other Accounts;

FS478, Miscellaneous Assets—Total;

FS480, Investments in Unregistered Funds and Private Equity Investments—Personal Trust and Agency, Investment Management Agency Accounts;

FS481, Investments in Unregistered Funds and Private Equity Investments—Employee Benefit and Other Individual Retirement Accounts;

FS482, Investments in Unregistered Funds and Private Equity Investments—All Other Accounts;

FS483, Investments in Unregistered Funds and Private Equity Investments—Total;

FS490, Total Managed Assets—Personal Trust and Agency, Investment Management Agency Accounts;

FS491, Total Managed Assets—Employee Benefit and Other Individual Retirement Accounts;

FS492, Total Managed Assets—All Other Accounts;

FS493, Total Managed Assets—Total;

FS495, Investments of Managed Fiduciary Accounts in Advised or Sponsored Mutual Funds—Market Value of Discretionary Investments in Proprietary Mutual Funds;

FS496, Investments of Managed Fiduciary Accounts in Advised or

Sponsored Mutual Funds—Number of Managed Assets Holding Investments in Proprietary Mutual Funds;

FS516, Corporate and Municipal Trusteeships—Issues Reported in FS520 and FS515 that are in Default—Number of Issues; and

FS517, Corporate and Municipal Trusteeships—Issues Reported in FS520 and FS515 that are in Default—Principal Amount Outstanding.

One trade association submitted comments on the proposed changes to Schedule FS. This commenter requested that the effective date for the proposed changes to Schedule FS be extended from December 31, 2009, to December 31, 2010, in order to provide vendors whose systems track the data reported in this schedule additional time for system programming revisions. The commenter indicated that vendors are currently devoting programming resources to changes necessitated by the joint Securities and Exchange Commission and Federal Reserve Board Regulation R—Exceptions for Banks from the Definition of Broker in the Securities Exchange Act of 1934. This commenter also stated that some banks use multiple systems to track the default status of debt issues under corporate trusteeships and that moving to a single system of record for tracking these debt issues would impose significant costs and require a longer implementation period than proposed.

After carefully considering these comments, OTS has decided to retain the December 31, 2009, effective date for the proposed changes. OTS is not requiring that trust institutions change from their use of multiple systems for corporate trusteeships or that they develop a single system of record for such trusteeships. In addition, OTS notes that institutions are to start complying with Regulation R beginning the first day of their fiscal year commencing after September 30, 2008 (i.e., January 1, 2009, for most institutions), which implies that programming changes should be complete or nearing completion. Furthermore, as previously stated, the agencies' policy is to permit institutions to provide reasonable estimates for any new or revised TFR item as of the report date for which the new or revised item is initially required to be reported. The ability to report reasonable estimates applies to the Schedule FS revisions that will be implemented as of December 31, 2009, which will afford trust institutions and their vendors additional time—either one quarter or one year, depending on the item and frequency with which a particular institution must submit Schedule FS—to complete any necessary system changes.

A. IRAs, HSAs, and Other Similar Accounts

IRAs, HSAs, and other similar accounts represent a large category of individual benefit and retirement-related accounts administered by trust institutions for which OTS does not collect specific data. At present, data for retirement-related accounts is included in the totals reported for ''Other retirement accounts'' and ''Custody and safekeeping accounts'' in the Fiduciary and Related Assets section of Schedule FS (FS240 through 243 and FS280 and 281). Significant growth in IRAs and HSAs administered by trust institutions is expected. IRAs, HSAs, and other similar accounts for individuals have risk characteristics that differ from employee benefit plans covered by the Employee Retirement Income Security Act (ERISA). To identify trust institutions experiencing significant changes in the number of and market value of assets in these types of accounts for supervisory follow-up and to monitor both aggregate and individual trust institution growth trends involving these accounts, OTS proposes to add four new line items (FS234 through FS237, ''IRAs, HSAs, and other similar accounts'') to the Fiduciary and Related Assets section of Schedule FS to capture data on IRAs, HSAs, and other similar accounts.

The commenter recommended that the data proposed to be reported in new lines FS234 through FS237 should be reported instead in a new separate subitem of Retirement-related Trust and Agency Accounts: Employee Benefits, in the Fiduciary and Related Assets section of Schedule FS. In addition, the commenter requested clarification of how IRAs, HSAs, and other similar accounts held outside the trust department on the retail side of an institution should be reported in Schedule FS, recommending that these accounts be excluded.

At present, IRAs, HSAs, and similar accounts that are solely custody and safekeeping accounts are reported in existing items FS280 and FS281, ''Custody and safekeeping accounts.'' Custody and safekeeping accounts are not considered fiduciary accounts per se and are excluded from ''Total fiduciary accounts'' reported in items FS20 through FS23 of Schedule FS. For this reason, OTS does not believe that IRAs, HSAs, and similar accounts should be aggregated and reported in a new subitem of Retirement-related Trust and Agency Accounts: Employee Benefits, in the Fiduciary and Related Assets section of Schedule FS, which is reserved for fiduciary accounts. Therefore, OTS is implementing new item FS223 though FS237, ''IRAs, HSAs, and other similar accounts,'' as proposed.

Regarding the reporting of IRAs, HSAs, and other similar accounts maintained outside the trust department in the retail side of the institution, OTS reiterates that only those activities offered through a fiduciary business unit should be reported on Schedule FS. Therefore, IRAs, HSAs, and other similar accounts not offered through a fiduciary business unit of an institution should not be reported on Schedule FS. These institutions should review new line item SI900 which inquires whether an institution, without trust powers, acts as trustee or custodian for individual retirement accounts, health savings accounts, and other similar accounts that are invested in non-deposit products.

B. Changes to the Type of Assets Reported in the Breakdown of Managed Assets Held in Fiduciary Accounts by Asset Types

OTS reviewed the types of managed assets for which trust institutions currently report a breakdown of such assets by market value in Memoranda—Managed Assets held in Personal Trust and Agency Accounts of Schedule FS. In this regard, discretionary investments in common trust funds (CTFs) and collective investment funds (CIFs) are not separately reported at present in this Memoranda section. Instead, trust institutions currently are required to allocate the underlying assets of each CTF and CIF attributable to managed accounts to the individual line items for the various types of assets reported in this Memorandum section. OTS has found this current method of reporting investments in CTFs and CIFs to be misleading, confusing, and burdensome for trust institutions. It requires institutions to segregate the underlying assets of each CTF and CIF by asset type, rather than following the more straightforward approach of reporting the total value of managed accounts' holdings of investments in CTFs and CIFs. Therefore, OTS proposed to end the current method of reporting these investments in this Memorandum section by adding four new line items (FS430 through FS433) for investments in CTFs and CIFs. These new line items will enable OTS to collect data that actually reflects the investment choices of discretionary fiduciaries, i.e., investing in a fund rather than an individual asset, while simplifying the reporting of these investments.

In its comment on this proposed change, the commenter asked whether both the accounts holding units of CTFs and CIFs and the CTFs and CIFs themselves should be reported in the Fiduciary and Related Assets section of Schedule FS and whether double counting of CTF and CIF units and CTFs and CIFs will result. OTS notes that only the value of units in CTFs and CIFs held in fiduciary accounts should be reported in the Fiduciary and Related Assets section of Schedule FS. When such units are held by a managed fiduciary account, the value of the units will be reported in new line items FS430 through FS433. Look-through reporting of the underlying assets of CTFs and CIFs in this Memorandum section is being eliminated. Double counting of CTF and CIF assets will be avoided by limiting the reporting of the underlying assets of CTFs and CIFs to the existing Memorandum section on Collective Investment Funds and Common Trust Funds in Schedule FS.

At present, the asset type for ''common and preferred stocks'' in Memoranda-Managed Assets held in Personal Trust and Agency Accounts, includes not only these stocks, but also all investments in mutual funds (other than money market mutual funds, which are reported separately), private equity investments, and investments in unregistered and hedge funds. Investments in mutual funds (other than money market mutual funds) have long been reported with common and preferred stocks. However, over time, these investments have gone from being a relatively minor investment option for managed fiduciary accounts to being one of the most significant asset types for managed fiduciary accounts.

As a consequence, OTS lacks specific data on discretionary investments in mutual funds (other than money market mutual funds) despite their distinctive differences from investments in individual common stocks. Given these differences and the growth in mutual fund holdings in managed fiduciary accounts, OTS proposed to add two new subitems in this Memorandum section to collect data on investments in equity mutual funds and in other (non-money market) mutual funds separately from common and preferred stocks. None of the comments OTS received specifically addressed the proposed new subitems for mutual funds in this Memorandum section. OTS will implement the changes as proposed.

Investments in hedge funds and private equity have grown rapidly since the implementation of Schedule FS, with large institutional investors, *e.g.*, large pension plans, increasing their allocation to these types of investments in order to increase portfolio returns and pursue absolute return strategies. As mentioned above, these types of investments are currently reported as ''common and preferred stocks'' in Memoranda-Managed Assets Held in Personal Trust and Agency Accounts. However, given their unique characteristics and risks, the increasing role such investments are having in managed fiduciary portfolios, and the agencies' need to monitor the volume of these investments across the trust industry and at individual trust institutions, OTS also proposed to modify this Memoranda section by adding four new line items (FS480 through FS483) in which trust institutions would report investments in unregistered funds and private equity held in managed accounts.

The commenter suggested that investments in unregistered funds and private equity and investments in common and preferred stocks be reported as separate components of ''Total managed assets held in fiduciary accounts,'' which would eliminate the need for the former type of investments to be included in two subitems of this Memoranda section. OTS agrees with this suggestion and is revising this Memoranda section to exclude investments in unregistered funds and private equity from the subitems for investments in common and preferred stocks. Instead, each type of investment will be reported as a separate component of ''Total managed assets held in fiduciary accounts.''

The commenter also requested that OTS clarify the definition of ''private equity investments'' for purposes of reporting such investments within this Memoranda section and explain whether investments in closely-held family businesses should be reported as ''private equity investments.'' In general, for the purposes of this Memoranda section, private equity investments is an asset class consisting of purchased equity securities in operating companies that are not publicly traded on a stock exchange or otherwise registered with the SEC under the federal securities laws. Investments in closely-held family businesses, however, would not be reported as ''private equity investments'' if such investments represented in-kind transfers to a fiduciary account of securities in a closely-held family business or an increase in a fiduciary account's percentage ownership of an existing closely-held family business whose securities are held in the account. Such investments in closely-held family businesses would be reported in the subitem for miscellaneous assets within this Memoranda section.

C. Corporate Trust and Agency Accounts

Trust institutions currently report the number of corporate and municipal debt issues for which the institution serves as trustee and the outstanding principal amount of these debt issues in Memoranda—Corporate Trust and Agency Accounts. One of the major risks in the area of corporate trust administration involves debt issues that are in substantive default. A substantive default occurs when the issuer fails to make a required payment of interest or principal, defaults on a required payment into a sinking fund, files for bankruptcy, or is declared insolvent.

The occurrence of a substantive default significantly raises the risk profile for an indenture trustee of a defaulted issue. Thus, to monitor and better understand the risk profile of trust institutions serving as an indenture trustee for debt securities and changes therein, OTS proposed to require trust institutions to report the number of such issues that are in substantive default and the principal amount outstanding for these issues.

The commenter suggested clarifications to the scope of the proposed new reporting requirements for debt securities in substantive default for which an institution is serving as indenture trustee. The commenter recommended that the term ''substantive default'' should mean than an event of default for an issue of securities has actually been declared by the trustee with notice to investors. In addition, the commenter recommended that events of default should include both technical and payment defaults. The commenter also proposed that issues in a cure period should not be reported as being in substantive default and, in the case of private placement leases, no substantive default should be reported when the trustee is required to delay or waive the declaration of an event of default unless requested to do so in writing and no such request has been made. The commenter further suggested that, once the trustee's duty with respect to a defaulted issue is completed, the issue no longer should be reported as defaulted. Finally, the commenter requested that OTS confirm that ''amount outstanding'' means the unpaid principal balance or certificate balance.

After considering these recommendations, OTS agrees that issues should not be reported as being in substantive default until such default has been declared by the trustee. Similarly, issues should not be reported as being in substantive default during a cure period, provided the bond indenture provides for a cure period. Private placement leases where the trustee is required to delay or waive the declaration of an event of default, unless requested in writing to make such declaration, should not be reported as being in substantive default, provided such written request has not been made. Once a trustee's duties with respect to an issue in substantive default have been completed, the issue should no longer be reported as being in default. As for the meaning of the term ''amount outstanding,'' the instructions for this Memoranda section currently refer to the par value of outstanding debt securities, except for zero-coupon bonds for which ''amount outstanding'' is described as the maturity amount. As suggested by the commenter, the instructions for this Memorandum section will be revised to clarify that ''amount outstanding'' for debt instruments means the unpaid principal balance. For trust preferred securities, the ''amount outstanding'' would be the redemption price.

OTS, however, has decided not to treat events of technical default as falling within the scope of the proposed new line items (FS516 and FS517) on debt issues in default for which the institution serves as trustee. As previously stated, OTS believes that a substantive default significantly raises the risk profile for an indenture trustee of a defaulted issue. In such cases, every action or failure to act by the trustee is intensely scrutinized by bondholders of the defaulted issue. Moreover, an event of substantive default often results in the incurrence of significant expense and the distraction of managerial time. For these reasons, OTS proposed to collect data on substantive defaults on issues for which the reporting trust institution serves as trustee under a bond indenture. OTS does not believe that events of technical default necessarily entail the heightened degree of risk that substantive defaults do. Therefore, OTS does not consider it necessary to monitor such events on a system-wide basis. The agencies will continue to monitor the occurrence of events of technical default and an institution's administration of such events during periodic on-site examinations.

In addition, OTS proposed to revise the instructions for reporting on corporate trust accounts to state that issues of trust preferred stock for which the institution is trustee should be included in the amounts reported for corporate and municipal trusteeships. No comments were received on this aspect of the corporate trust reporting proposal and OTS will implement this instructional change as proposed.

D. Instructional Clarifications

OTS proposed to clarify the instructions for reporting:

- The managed and non-managed assets and number of managed and non-managed accounts for defined contribution plans and defined benefit plans in items FS220 through FS233, by indicating that employee benefit accounts for which the trust institution serves as directed trustee should be reported as non-managed accounts; and
- The number of, and market value of assets held in, collective investment funds and common trust funds in Memoranda—Collective Investment Funds and Common Trust Funds by stating that the number of funds should be reported, not the number of assets held by these funds, the number of participants, or the number of accounts invested in the funds.

No comments were received on these proposed instructional clarifications, which will be implemented as proposed.

However, the commenter requested clarification of the term ''managed assets'' used in Schedule FS. The commenter asked whether discretionary accounts in which the management of all or a portion of the account is delegated to a registered investment advisor, whether affiliated or unaffiliated with the reporting trust institution, should be considered managed or non-managed assets. The commenter also sought clarification as to whether non-discretionary accounts that are managed by a registered investment adviser would be reported as custody or non-managed accounts.

The current instructions for Schedule FS state that an account is considered managed if the institution has investment discretion over the assets of the account. Investment discretion is defined as the sole or shared authority (whether or not that authority is exercised) to determine what securities or other assets to purchase or sell on behalf of a fiduciary related account. An institution that delegates its authority over investments and an institution that receives delegated authority over investments are both deemed to have investment discretion. Therefore, whether an account where investment discretion has been delegated to a registered investment adviser, whether affiliated or unaffiliated with the reporting institution, should be reported as a managed account depends on whether the delegation of investment authority to the registered investment adviser was made pursuant to the exercise of investment discretion by the reporting institution. If so, the account is deemed to be a managed account by the reporting institution. Otherwise, the account would be a non-managed account for purposes of Schedule FS.

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