risk-based capital ratios. For bank holding companies subject to these reporting requirements, the agencies propose to recaption line item 6.b of Schedule A, Part 1 of the FFIEC 101 report and to add line item 6.c. Line item 6.b is currently intended to capture two components of capital that are reported separately on Schedule HC–R of the FR Y–9C: The amount of qualifying restricted core capital elements (other than cumulative perpetual preferred stock) held by bank holding companies (as reported in item 6.b of Schedule HC–R) and qualifying mandatory convertible preferred securities held by internationally active bank holding companies (as reported in item 6.c of Schedule HC–R). The agencies propose to align the reporting of these capital elements to that of Schedule HC–R of the FR Y–9C by separately including both capital elements in the FFIEC 101. These two capital elements would replace the current item 6.b and would appear, as they do on Schedule HC–R in the FR Y–9C, as items 6.b and 6.c of Schedule A, Part 1, respectively. Reporting instructions for the FFIEC 101 would be revised accordingly. The change in reporting would apply only to bank holding companies.

Reporting of information about the numerator of a savings association's risk-based capital ratios. For the purposes of simplicity and comparability of reporting financial information among banks and savings associations under the Advanced Capital Adequacy Framework, the Agencies propose to delete Part 2 of Schedule A for savings associations. Instead, all banks, bank holding companies, and savings associations reporting under the Advanced Capital Adequacy Framework would report on the same Schedule A form (*see http://www.ffiec.gov/forms101.htm*). Reporting instructions for the FFIEC 101 would be revised accordingly.

Reporting of information on equity exposures. Banks subject to these reporting requirements currently provide information about equity exposure amounts and the risk-weighted asset amount of these exposures in Schedule R of the FFIEC 101. This schedule currently contains 22 line items (exposure categories, subtotals, and totals) and two columns (exposure and risk-weighted asset amounts) in which data are reported. A number of the line items listed on the schedule only apply to certain approaches contained within the final rule for calculating risk-weighted asset amounts for equity exposures. The agencies propose to reformat Schedule R to clarify what line items need to be reported based on which of the three approaches the bank uses to calculate risk-weighted asset amounts for its equity exposures: The simple risk weight approach (SRWA), the full internal models approach (full IMA), or the IMA applied to only publicly traded equity exposures (publicly traded or partial IMA).

The reformatted version of Schedule R does not alter any of the existing line items in the current schedule. More specifically, neither the exposure categories nor the number of equity exposure items completed by banks using a given approach would change as a result of this proposal. Rather, the proposal is to expand the number of columns shown on the schedule from two to six to allow for reporting of a distinct set of exposure and risk-weighted asset information for banks using the SRWA, a distinct set of exposure and risk-weighted asset information for banks using the full IMA, and a distinct set of exposure and risk-weighted asset information for banks using the partial IMA. Each set of exposure and risk-weighted asset columns would appear with the heading of the applicable final rule approach used by the bank and only those exposure categories (including subtotals and totals) applicable to a given approach would appear within each columnar section of the reformatted schedule (*see http://www.ffiec.gov/forms101.htm*). Reporting instructions for the FFIEC 101 would be revised accordingly.

Request for Comment

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

(a) Whether the proposed revisions to the collection of information that are the subject of this notice are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

(b) The accuracy of the agencies' estimates of the burden of the information collection 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 collected;

(d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

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

Dated: January 14, 2011.

Michele Meyer,

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

Board of Governors of the Federal Reserve System, January 25, 2011.

Jennifer J. Johnson,

Secretary of the Board.

Dated at Washington, DC, this 25th day of January 2011.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

Dated: January 24, 2011.

Ira L. Mills,

Paperwork Clearance Officer, Office of Chief Counsel, Office of Thrift Supervision.

[FR Doc. 2011–1945 Filed 1–27–11; 8:45 am]

BILLING CODE 4810–33–P 6210–01–P 6714–01–P 6720–01–P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

Federal Reserve System

Federal Deposit Insurance Corporation

Agency Information Collection Activities: Submission for OMB Review; Joint 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 of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act of 1995.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. chapter 35), the OCC, the Board, and the FDIC (the "agencies") may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. On September 30, 2010, the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), requested public comment for 60 days on a proposal to extend, with revision, the Consolidated Reports of Condition and Income (Call Report),

which are currently approved collections of information. After considering the comments received on the proposal, the FFIEC and the agencies will proceed with most, but not all, of the reporting changes that had been proposed and they will also revise two other Call Report items in response to commenters' recommendations. For some of the reporting changes that the agencies plan to implement, limited modifications have been made to the original proposals in response to the comments.

DATES: Comments must be submitted on or before February 28, 2011.

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: You should direct all written comments to: Communications Division, Office of the Comptroller of the Currency, Mailstop 2–3, Attention: 1557–0081, 250 E Street, SW., Washington, DC 20219. In addition, comments may be sent by fax to (202) 874–5274, or by electronic mail to *regs.comments@occ.treas.gov*. You may personally inspect and photocopy comments at the OCC, 250 E Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874–4700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Board: You may submit comments, which should refer to "Consolidated Reports of Condition and Income (FFIEC 031 and 041)," by any of the following methods:

• *Agency Web Site: http://www.federalreserve.gov*. Follow the instructions for submitting comments on the *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm*.

• *Federal eRulemaking Portal: http://www.regulations.gov*. Follow the instructions for submitting comments.

• *E-mail: regs.comments@federalreserve.gov*. Include reporting form number in the subject line of the message.

• *Fax:* (202) 452–3819 or (202) 452–3102.

• *Mail:* Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

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

FDIC: You may submit comments, which should refer to "Consolidated Reports of Condition and Income, 3064–0052," by any of the following methods:

• *Agency Web Site: http://www.fdic.gov/regulations/laws/federal/propose.html*. Follow the instructions for submitting comments on the FDIC Web site.

• *Federal eRulemaking Portal: http://www.regulations.gov*. Follow the instructions for submitting comments.

• *E-mail: comments@FDIC.gov*. Include "Consolidated Reports of Condition and Income, 3064–0052" in the subject line of the message.

• *Mail:* Gary A. Kuiper, (202) 898–3877, Counsel, Attn: Comments, Room F–1086, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

• *Hand Delivery:* Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

Public Inspection: All comments received will be posted without change to *http://www.fdic.gov/regulations/laws/federal/propose.html* including any personal information provided. Comments may be inspected at the FDIC Public Information Center, Room E–1002, 3501 Fairfax Drive, Arlington, VA 22226, between 9 a.m. and 5 p.m. on business days.

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

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

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

Board: Cynthia Ayouch, Acting Federal Reserve Board Clearance Officer, (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 call (202) 263–4869.

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

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

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

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

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

OCC

OMB Number: 1557–0081.

Estimated Number of Respondents: 1,491 national banks.

Estimated Time per Response: 53.25 burden hours.

Estimated Total Annual Burden: 317,583 burden hours.

Board

OMB Number: 7100–0036.

Estimated Number of Respondents: 841 State member banks.

Estimated Time per Response: 55.19 burden hours.

Estimated Total Annual Burden: 185,659 burden hours.

FDIC

OMB Number: 3064–0052.

Estimated Number of Respondents: 4,713 insured State nonmember banks.

Estimated Time per Response: 40.42 burden hours.

Estimated Total Annual Burden: 761,998 burden hours.

The estimated time per response for the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (*e.g.,* size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices). The average reporting burden for the Call Report is estimated to range from 17 to 665 hours per quarter, depending on an individual institution's circumstances.

General Description of Reports

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

Abstract

Institutions submit Call Report data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report data provide the most current statistical data available for evaluating institutions' corporate applications, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. The agencies use Call Report data in evaluating interstate merger and acquisition applications to determine, as required by law, whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report data are also used to calculate institutions' deposit insurance and Financing Corporation assessments and national banks' semiannual assessment fees.

Current Actions

I. Overview

On September 30, 2010, the agencies requested comment on proposed revisions to the Call Report (75 FR 60497). The agencies proposed to implement certain changes to the Call Report requirements as of March 31, 2011, to provide data needed for reasons of safety and soundness or other public purposes. The proposed revisions would assist the agencies in gaining a better understanding of banks' credit and liquidity risk exposures, primarily through enhanced data on lending and securitization activities and sources of deposits. The banking agencies also proposed certain revisions to the Call Report instructions.

The agencies collectively received comments from 23 respondents: thirteen banks, three bankers' associations, two law firms, two insurance consultants, an insurance company, a deposit listing service, and an individual. Respondents tended to comment on one or more specific aspects of the proposal rather than addressing each individual proposed Call Report revision. One bankers' association observed that it supports the objective of the agencies' proposal, but it also provided comments on several of the proposed Call Report revisions. Another bankers' association reported that its "members have expressed no concerns with many of the agencies' proposed revisions," but it suggested that the agencies make several changes to the revisions. Only three commenters expressed an overall view on the proposal. One banker stated that "I generally support the Agencies proposal," but added that a few items deserve further consideration. The individual who commented stated that "[i]n form and virtually all substance I agree with the requests for data and changes for the definitions." In contrast, another banker expressed "deep concern over the proposed changes," adding that "this is not the time to place additional burdens on community banks."

In addition, one bankers' association provided comments on the definition of core deposits, which was not part of the agencies' proposal. The association noted that the definition currently incorporates a $100,000 threshold for time deposits, which was the standard maximum deposit insurance amount prior to the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203 (July 21, 2010). This legislation permanently increased the standard maximum amount to $250,000 on July 21, 2010. Accordingly, the bankers' association urged the agencies to adjust the core deposit threshold to $250,000 for consistency with the deposit insurance limit. Another bankers' association also addressed the permanent increase in the standard maximum deposit insurance amount from $100,000 to $250,000, indicating that this change removed the need to continue to base the identification of core deposits on the $100,000 threshold. The association recommended that the agencies revise and update the Call Report accordingly.

This second bankers' association also recommended that the agencies revise and update Call Report Schedule RC–O, Other Data for Deposit Insurance and FICO Assessments, "to eliminate items that are no longer necessary in light of the new method for calculating the deposit insurance assessment base, as required by the Dodd-Frank Act." The agencies note that the FDIC published a Notice of Proposed Rulemaking on November 24, 2010,[1] to amend its deposit insurance assessment regulations to implement the provision of the Dodd-Frank Act that changes the assessment base from one based on domestic deposits to one based on assets. The agencies will soon be publishing an initial PRA **Federal Register** notice to request comment on proposed revisions to Schedule RC–O that will support the proposed changes in the FDIC's method of calculating an institution's assessment base.

The following section of this notice describes the proposed Call Report changes and discusses the agencies' evaluation of the comments received on the proposed changes, including modifications that the FFIEC and the agencies have decided to implement in response to those comments. The following section also addresses the agencies' response to the comments from the two bankers' associations concerning the definition of core deposits, which was not an element of the agencies' September 30, 2010, Call Report proposal.

In summary, after considering the comments received on the proposed Call Report revisions, the FFIEC and the agencies plan to move forward as of the March 31, 2011, report date with most, but not all, of the proposed reporting changes after making certain modifications in response to the comments. The agencies will not implement the items for interest income and quarterly averages for automobile loans as had been proposed, but will add items for automobile loans to the other Call Report schedules for which this revision had been proposed. After evaluating the automobile loan data that banks report, the agencies may propose in the future to collect interest income and quarterly averages for such loans. In addition, the agencies have decided not to add the proposed breakdown of deposits of individuals, partnerships, and corporations into deposits of individuals and deposits of partnerships and corporations. The agencies also are not proceeding with a proposed instructional change that would have revised the treatment of assets and liabilities whose interest rates have reached contractual ceilings or floors when reporting repricing data. The proposed breakdown of life insurance assets into general and separate account assets will be modified to also include a category for hybrid account assets. Finally, to implement revised definitions for core deposits and non-core funding, the agencies will add two-way breakdowns of two existing items for certain deposits with a remaining maturity of one year or less in the Call Report deposits schedule.

The agencies recognize institutions' need for lead time to prepare for reporting changes. Thus, consistent with

[1] *See* 75 FR 72582, November 24, 2010, at *http://www.fdic.gov/regulations/laws/federal/2010/10proposeAD66.pdf.*

longstanding practice, for the March 31, 2011, report date, banks may provide reasonable estimates for any new or revised Call Report item initially required to be reported as of that date for which the requested information is not readily available. Furthermore, the specific wording of the captions for the new or revised Call Report data items and the numbering of these data items discussed in this notice should be regarded as preliminary.

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

II. Discussion of Proposed Call Report Revisions

The agencies received comments expressing support for, or no comments specifically addressing, the following revisions, and therefore these revisions will be implemented effective March 31, 2011, as proposed:

- A breakdown of the existing items for commercial mortgage-backed securities between those issued or guaranteed by U.S. Government agencies and sponsored-agencies and those that are not in Schedule RC–B, Securities, and Schedule RC–D, Trading Assets and Liabilities;
- Breakdowns of the existing items for loans and other real estate owned (OREO) covered by FDIC loss-sharing agreements by loan and OREO category in Schedule RC–M, Memoranda, along with a breakdown of the existing items in Schedule RC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets, for reporting past due and nonaccrual U.S. Government-guaranteed loans to segregate those covered by FDIC loss-sharing agreements (which would be reported by loan category) from other guaranteed loans. The categories of covered loans to be reported would be (1) 1–4 family residential construction loans, (2) Other construction loans and all land development and other land loans, (3) Loans secured by farmland, (4) Revolving, open-end loans secured by 1–4 family residential properties and extended under lines of credit, (5) Closed-end loans secured by first liens on 1–4 family residential properties, (6) Closed-end loans secured by junior liens on 1–4 family residential properties, (7) Loans secured by multifamily (5 or more) residential properties, (8) Loans secured by owner-occupied nonfarm nonresidential properties, (9) Loans secured by other nonfarm nonresidential properties, (10) Loans to finance agricultural production and other loans to farmers (on the FFIEC 031 [2]), (11) Commercial and industrial loans, (12) Consumer credit cards, (13) Consumer automobile loans, (14) Other consumer loans, and (15) All other loans and all leases [3];
- New items for the total assets of captive insurance and reinsurance subsidiaries in Schedule RC–M, Memoranda;
- New Memorandum items in Schedule RI, Income Statement, for credit valuation adjustments and debit valuation adjustments included in trading revenues for banks with total assets of $100 billion or more;
- A change in reporting frequency from annual to quarterly for the data reported in Schedule RC–T, Fiduciary and Related Services, on collective investment funds and common trust funds for those banks that currently report fiduciary assets and income quarterly, *i.e.,* banks with fiduciary assets greater than $250 million or gross fiduciary income greater than 10 percent of bank revenue; and
- Instructional revisions that address the reporting of construction loans following the completion of construction in Schedule RC–C, part I, Loans and Leases, and other schedules that collect loan data.

The agencies received one or more comments specifically addressing or otherwise relating to each of the following proposed revisions:

- A breakdown by loan category of the existing Memorandum items for "Other loans and leases" that are troubled debt restructurings and are past due 30 days or more or in nonaccrual status (in Schedule RC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets) or are in compliance with their modified terms (in Schedule RC–C, part I, Loans and Leases) as well as the elimination of the exclusion from reporting restructured troubled consumer loans in these Memorandum items;
- A breakdown of "Other consumer loans" into automobile loans and all other consumer loans in the Call Report schedules in which loan data are reported: Schedule RC–C, part I, Loans and Leases; Schedule RC–D, Trading Assets and Liabilities; Schedule RC–K, Quarterly Averages; Schedule RC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets; Schedule RI, Income Statement; and Schedule RI–B, part I, Charge-offs and Recoveries on Loans and Leases;
- A new Memorandum item for the estimated amount of nonbrokered deposits obtained through the use of deposit listing service companies in Schedule RC–E, Deposit Liabilities;
- A breakdown of the existing items for deposits of individuals, partnerships, and corporations between deposits of individuals and deposits of partnerships and corporations in Schedule RC–E, Deposit Liabilities;
- A new Schedule RC–V, Variable Interest Entities, for reporting the categories of assets of consolidated variable interest entities (VIEs) that can be used only to settle the VIEs' obligations, the categories of liabilities of consolidated VIEs without recourse to the bank's general credit, and the total assets and total liabilities of other consolidated VIEs included in the bank's total assets and total liabilities, with these data reported separately for securitization trusts, asset-backed commercial paper conduits, and other VIEs;
- A breakdown of the existing item for "Life insurance assets" in Schedule RC–F, Other Assets, into items for general account and separate account life insurance assets; and
- Instructional changes (1) incorporating residential mortgages held for trading within the scope of Schedule

[2] As originally proposed, "Loans to finance agricultural production and other loans to farmers" would have been one of the categories of covered loans on the FFIEC 041. For consistency with the loan categories included in Schedule RC–N on the FFIEC 041, the agencies will include "Loans to finance agricultural production and other loans to farmers" within "All other loans and all leases." *See* footnote 3.

[3] For individual loan and lease subcategories within "All other loans and all leases" that exceed 10 percent of total loans and leases covered by FDIC loss-sharing agreements, the amount of covered loans in that subcategory must be itemized in Schedule RC–M, item 13.a.(5), and in Schedule RC–N, item 11.e. To simplify and clarify the reporting of these individual subcategories in these two items, the agencies will include preprinted captions for each of the individual subcategories within "All other loans and all leases" to facilitate banks' efforts to itemize these subcategories. As originally proposed, banks would have had to enter the titles of the subcategories themselves. Specifically, Schedule RC–M, item 13.a.(5), and Schedule RC–N, item 11.e, will have preprinted captions for the following loan and lease subcategories: (1) Loans to depository institutions and acceptances of other banks, (2) Loans to foreign governments and official institutions, (3) Other loans (*i.e.,* Obligations (other than securities and leases) of States and political subdivisions in the U.S. and Loans to nondepository financial institutions and other loans); (4) on the FFIEC 031 only, Loans secured by real estate in foreign offices, and (5) Lease financing receivables. On the FFIEC 041 only, "Other loans" also would include "Loans to finance agricultural production and other loans to farmers." A preprinted caption would be provided on the FFIEC 041 for "Loans to finance agricultural production and other loans to farmers," which would be applicable to banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans at which the amount of "Loans to finance agricultural loans and other loans to farmers" included in "All other loans and all leases" covered by FDIC loss-sharing agreements exceeds the 10 percent threshold for itemization.

RC–P, 1–4 Family Residential Mortgage Banking Activities, and (2) revising the treatment of assets and liabilities whose interest rates have reached contractual ceilings or floors for purposes of reporting maturity and repricing data in Schedule RC–B, Securities; Schedule RC–C, part I, Loans and Leases; Schedule RC–E, Deposit Liabilities; and Schedule RC–M, Memoranda.

The comments related to each of these proposed revisions are discussed in Sections II.A. through II.G. of this notice along with the agencies' response to these comments. The agencies also received comments regarding a change in the definition of core deposits, which is derived from Call Report data and which the agencies had not included in their proposal. The core deposit issue is discussed in Section II.H.

A. Troubled Debt Restructurings

The banking agencies proposed that banks report additional detail on loans that have undergone troubled debt restructurings in Call Report Schedule RC–C, part I, Loans and Leases, and Schedule RC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets. More specifically, Schedule RC–C, part I, Memorandum item 1.b, "Other loans and all leases" restructured and in compliance with modified terms, and Schedule RC–N, Memorandum item 1.b, Restructured "Other loans and all leases" that are past due or in nonaccrual status and included in Schedule RC–N, would be broken out to provide information on restructured troubled loans for many of the loan categories reported in the bodies of Schedule RC–C, part I, and Schedule RC–N. The breakout would also include "Loans to individuals for household, family, and other personal expenditures" whose terms have been modified in troubled debt restructurings, which are currently excluded from the reporting of troubled debt restructurings in the Call Report.

In the aggregate, troubled debt restructurings for all insured institutions have grown from $6.9 billion at year-end 2007, to $24.0 billion at year-end 2008, to $58.1 billion at year-end 2009, with a further increase to $80.3 billion as of September 30, 2010. The proposed additional detail on troubled debt restructurings in Schedules RC–C, part I, and RC–N would enable the agencies to better understand the level of restructuring activity at banks, the categories of loans involved in this activity, and, therefore, whether banks are working with their borrowers to modify and restructure loans. In particular, to encourage banks to work constructively with their commercial borrowers, the agencies issued guidance on commercial real estate loan workouts in October 2009 and small business lending in February 2010. Although this guidance has explained the agencies' expectations for prudent workouts, the agencies and the industry would benefit from additional reliable data outside the examination process to assess restructuring activity for commercial real estate loans and commercial and industrial loans. Further, it is important to separately identify commercial real estate loan restructurings from commercial and industrial loan restructurings given that the value of the real estate collateral is a consideration in a bank's decision to modify the terms of a commercial real estate loan in a troubled debt restructuring, but such collateral protection would normally be absent from commercial and industrial loans for which a loan modification is being explored because of borrowers' financial difficulties.

It is also anticipated that other loan categories will experience continued workout activity in the coming months given that most asset classes have been adversely impacted by the recent recession. This impact is evidenced by the increase in past due and nonaccrual assets across virtually all asset classes during the past two to three years.

Presently, banks report loans and leases restructured and in compliance with their modified terms (Schedule RC–C, part I, Memorandum item 1) with separate disclosure of (a) loans secured by 1–4 family residential properties (in domestic offices) and (b) other loans and all leases (excluding loans to individuals for household, family, and other personal expenditures). This same breakout is reflected in Schedule RC–N, Memorandum item 1, for past due and nonaccrual restructured troubled loans. The broad category of "other loans" in Schedule RC–C, part I, Memorandum item 1.b, and Schedule RC–N, Memorandum item 1.b, does not permit an adequate analysis of troubled debt restructurings. In addition, the disclosure requirements for troubled debt restructurings under generally accepted accounting principles do not exempt restructurings of loans to individuals for household, family, and other personal expenditures. Therefore, if the Call Report added more detail to match the reporting of loans in Schedule RC–C, part I, and Schedule RC–N, the new data would provide the banking agencies with the level of information necessary to assess banks' troubled debt restructurings to the same extent that other loan quality and performance indicators can be assessed. However, the agencies note that, under generally accepted accounting principles, troubled debt restructurings do not include changes in lease agreements [4] and they therefore propose to exclude leases from Schedule RC–C, part I, Memorandum item 1, and from Schedule RC–N, Memorandum item 1.

Thus, the banking agencies' proposed breakdowns of existing Memorandum item 1.b in both Schedule RC–C, part I, and Schedule RC–N would create new Memorandum items in both schedules covering troubled debt restructurings of "1–4 family residential construction loans," "Other construction loans and all land development and other land loans," loans "Secured by multifamily (5 or more) residential properties," "Loans secured by owner-occupied nonfarm nonresidential properties," "Loans secured by other nonfarm nonresidential properties," "Commercial and industrial loans," and "All other loans (including loans to individuals for household, family, and other personal expenditures)." [5] If restructured loans in any category of loans (as defined in Schedule RC–C, part I) included in restructured "All other loans" exceeds 10 percent of the amount of restructured "All other loans," the amount of restructured loans in this category or categories must be itemized and described.

Finally, Schedule RC–C, part I, Memorandum item 1, and Schedule RC–N, Memorandum item 1, are intended to capture data on loans that have undergone troubled debt restructurings as that term is defined in U.S. generally accepted accounting principles (GAAP). However, the captions of these two Memorandum items include only the term "restructured" rather than explicitly mentioning troubled debt restructurings, which has led to questions about the scope of these Memorandum items. Accordingly, the agencies proposed to revise the captions so they clearly indicate the loans to be reported in Schedule RC–C, part I, Memorandum item 1, and Schedule RC–N, Memorandum item 1, are troubled debt restructurings.

The agencies received comments from three bankers' associations on the proposed additional detail on loans that have undergone troubled debt

[4] Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) paragraph 470–60–15–11.

[5] For banks with foreign offices, the Memorandum items for restructured real estate loans would cover such loans in domestic offices. In addition, banks with foreign offices or with $300 million or more in total assets would also provide a breakdown of restructured commercial and industrial loans between U.S. and non-U.S. addressees.

restructurings. Two of the commenters recommended the agencies defer the proposed troubled debt restructuring revisions, including the new breakdowns by loan category, until the FASB finalizes proposed clarifications to the accounting for troubled debt restructurings by creditors.[6] In addition, two of the bankers' associations recommended retaining the term "restructured" in the caption titles instead of changing to the term "troubled debt restructurings," stating that changing this term would result in the collection of only a subset of total restructurings and would misrepresent banks' efforts to work with their customers.

As noted above, banks currently report loans and leases restructured and in compliance with their modified terms in Schedule RC–C, part I, Memorandum item 1, with separate disclosure of (a) loans secured by 1–4 family residential properties and (b) other loans and all leases. This same breakout is currently collected for past due and nonaccrual restructured loans in Schedule RC–N, Memorandum item 1. Although the captions for these line items do not use the term "troubled debt restructurings," the line item instructions generally characterize loans reported in these items as troubled debt restructurings and direct the reader to the Glossary entry for "troubled debt restructurings" for further information. Furthermore, the Glossary entry states that "all loans that have undergone troubled debt restructurings and that are in compliance with their modified terms must be reported as restructured loans in Schedule RC–C, part I, Memorandum item 1." Therefore, the agencies' longstanding intent has been to collect information on troubled debt restructurings in these line items, and these items were not designed to include loan modifications and restructurings that do not constitute troubled debt restructurings (*e.g.,* where a bank grants a concession to a borrower who is not experiencing financial difficulties).

The accounting standards for troubled debt restructurings are set forth in ASC Subtopic 310–40, Receivables—Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended by FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"). This is the accounting basis for the current reporting of restructured troubled loans in existing Schedule RC–C, part I, Memorandum items 1.a and 1.b, and Schedule RC–N, Memorandum items 1.a and 1.b. The proposed breakdown of the total amount of restructured "other loans" in existing Memorandum item 1.b in both schedules would result in additional detail on loans already within the scope of ASC Subtopic 310–40. To the extent the clarifications emanating from the FASB proposed accounting standards update may result in banks having to report certain loans as troubled debt restructurings that had not previously been identified as such, this accounting outcome will arise irrespective of the proposed breakdown of the "other loans" category in Schedule RC–C, part I, Memorandum item 1, and Schedule RC–N, Memorandum item 1. Therefore, the agencies will implement the new breakdown for the reporting of troubled debt restructurings as proposed.

However, to simplify and clarify the reporting of loan categories within "All other loans" that exceed 10 percent of the amount of "All other loans" restructured in troubled debt restructurings, as described above, the agencies will include preprinted captions for the various possible loan categories to facilitate banks' efforts to itemize and describe these categories. Specifically, Schedule RC–C, Memorandum item 1.f, and Schedule RC–N, Memorandum item 1.f, will have preprinted captions for the following loan categories: (1) Loans secured by farmland (in domestic offices), (2) Loans to depository institutions and acceptances of other banks, (3) Loans to finance agricultural production and other loans to farmers (on the FFIEC 031), (4) Credit cards, (5) Automobile loans, (6) Other consumer loans, (7) Loans to foreign governments and official institutions, (8) Other loans (*i.e.,* Obligations (other than securities and leases) of States and political subdivisions in the U.S. and Loans to nondepository financial institutions and other loans),[7] and (9) on the FFIEC 031, Loans secured by real estate in foreign offices.

B. Automobile Loans

The banking agencies proposed to add a breakdown of the "other consumer loans" loan category in several Call Report schedules in order to separately collect information on automobile loans. The affected schedules would be Schedule RC–C, part I, Loans and Leases; Schedule RC–D, Trading Assets and Liabilities; Schedule RC–K, Quarterly Averages; Schedule RC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets; Schedule RI, Income Statement; and Schedule RI–B, part I, Charge-offs and Recoveries on Loans and Leases. Auto loans would include loans arising from retail sales of passenger cars and other vehicles such as minivans, vans, sport-utility vehicles, pickup trucks, and similar light trucks for personal use. This new loan category would exclude loans to finance fleet sales, personal cash loans secured by automobiles already paid for, loans to finance the purchase of commercial vehicles and farm equipment, and auto lease financing.

Automobile loans are a significant consumer business for many large banks. Because of the limited disclosure of auto lending on existing regulatory reports, supervisory oversight of auto lending is presently diminished by the need to rely on the examination process and public information sources that provide overall market information but not data on idiosyncratic risks.

Roughly 65 percent of new vehicle sales and 40 percent of used vehicle sales are funded with auto loans. According to household surveys and data on loan originations, banks are an important source of auto loans. In 2008, this sector originated approximately one-third of all auto loans. Finance companies, both independent entities and affiliates of auto manufacturers, originated a bit more than one-third, while credit unions originated a bit less than one-quarter. In addition to originating auto loans, some banks purchase auto loans originated by other entities, which suggests that commercial banks could be the largest holder of auto loans.

Despite the importance of banks to the auto loan market, the agencies know less about banks' holdings of auto loans than is known about finance company, credit union, and savings association holdings of these loans. All nonbank depository institutions are required to report auto loans on their respective regulatory reports, including savings associations, which originate less than five percent of auto loans. On their

[6] FASB Proposed Accounting Standards Update (ASU): Receivables (Topic 310), Clarifications to Accounting for Troubled Debt Restructurings by Creditors.

[7] On the FFIEC 041 only, "Other loans" also would include "Loans to finance agricultural production and other loans to farmers." A preprinted caption would be provided on the FFIEC 041 for "Loans to finance agricultural production and other loans to farmers," which would be applicable to banks with $300 million or more in total assets and banks with less than $300 million in total assets that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans at which the amount of "Loans to finance agricultural loans and other loans to farmers" included in "All other loans" restructured in troubled debt restructurings exceeds the 10 percent threshold for itemization.

regulatory reports, credit unions must provide not only the outstanding amount of new and used auto loans, but also the average interest rate and the number of loans. In a monthly survey, the Federal Reserve collects information on the amount of auto loans held by finance companies. As a consequence, during the financial crisis when funds were scarce for finance companies in general and the finance companies affiliated with automakers in particular, a lack of data on auto loans at banks hindered the banking agencies' ability to estimate the extent to which banks were filling in the gap in auto lending left by the finance companies.

Additional disclosure regarding auto loans on bank Call Reports is especially important with the implementation of the amendments to ASC Topics 860, Transfers and Servicing, and 810, Consolidation, resulting from ASU No. 2009–16 (formerly Statement of Financial Accounting Standards (SFAS) No. 166, *Accounting for Transfers of Financial Assets* (FAS 166)), and ASU No. 2009–17 (formerly SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167)), respectively. Until 2010, Call Report Schedule RC–S had provided the best supervisory information on auto lending because it included a separate breakout of securitized auto loans outstanding as well as securitized auto loan delinquencies and charge-offs. However, the accounting changes brought about by the amendments to ASC Topics 860 and 810 mean that if the auto loan securitization vehicle is now required to be consolidated, securitized auto lending previously reported on Schedule RC–S will be grouped as part of "other consumer loans" on Schedules RC–C, part I; RC–D; RC–K; RC–N; RI; and RI–B, part I, which diminishes supervisors' ability to assess auto loan exposures and performance.

Finally, separating auto lending from other consumer loans would assist the agencies in understanding consumer lending activities at individual institutions. When an institution holds both auto loans and other types of consumer loans (other than credit cards, which are currently reported separately), the current combined reporting of these loans in the Call Report tends to mask any significant differences that may exist in the performance of these portfolios. For example, a bank could have a sizeable auto loan portfolio with low loan losses, but its other consumer lending, which could consist primarily of unsecured loans, could exhibit very high loss rates. The current blending of these divergent portfolios into a single Call Report loan category makes it difficult to adequately monitor consumer loan performance.

The agencies received three comments from banks and one comment from a bankers' association on the proposal to separately collect information on automobile loans in Call Report schedules containing loan category data. The three banks requested an exemption from the proposed reporting requirements for smaller banks, with one of the banks seeking the exemption only for reporting auto loan interest income and quarterly averages. The bankers' association stated that this revision should not create a significant burden for future loans because core data processors generally have the ability to break out loan types, but it also asked for clarification on the reporting for situations in which auto loans are extended for multiple purposes. In addition, the bankers' association observed that some community banks do not have data readily available on the types or purposes of existing consumer loans, which would prevent them from determining the purpose of loans collateralized by autos, *i.e.,* for the purchase of the auto or for some other purpose, without searching paper loan files.

After considering these comments, the agencies continue to believe the reporting of information on auto loans from all banks is necessary for the agencies to carry out their supervisory and regulatory responsibilities and meet other public policy purposes. However, the agencies agree that the reporting of interest income and quarterly averages for auto loans may be particularly burdensome for banks to report. Therefore, the agencies will not implement the proposed collection of auto loan data on Schedule RI, Income Statement, or Schedule RC–K, Quarterly Averages, in 2011. Instead, the agencies will evaluate the auto loan data that will begin to be collected in the other Call Report schedules in March 2011 and reconsider whether to collect data on interest income and quarterly averages for auto loans. A decision to propose to collect auto loan interest income and quarterly averages would be subject to notice and comment.

Regarding the request for clarification of the reporting treatment for auto loans extended for multiple purposes and existing consumer loans with autos as collateral, the agencies have concluded that, to reduce burden, all consumer loans originated or purchased before April 1, 2011, that are collateralized by automobiles, regardless of the purpose of the loan, are to be classified as auto loans and included in the new Call Report items for auto loans. For consumer loans originated or purchased on or after April 1, 2011, banks should exclude from auto loans any personal cash loans secured by automobiles already paid for and consumer loans where some of the proceeds are used to purchase an auto and the remainder of the proceeds are used for other purposes.

C. Nonbrokered Deposits Obtained Through the Use of Deposit Listing Service Companies

In its semiannual report to the Congress covering October 1, 2009, through March 31, 2010, the FDIC's Office of Inspector General addressed causes of bank failures and material losses and noted that "[f]ailed institutions often exhibited a growing dependence on volatile, non-core funding sources, such as brokered deposits, Federal Home Loan Bank advances, and Internet certificates of deposit." [8] At present, banks report information on their funding in the form of brokered deposits in Memorandum items 1.b through 1.d of Schedule RC–E, Deposit Liabilities. Data on Federal Home Loan Bank advances are reported in items 5.a.(1) through (3) of Schedule RC–M, Memoranda. These data are an integral component of the banking agencies' analyses of individual institutions' liquidity and funding, including their reliance on non-core sources to fund their activities.

Deposit brokers have traditionally provided intermediary services for financial institutions and investors. However, the Internet, deposit listing services, and other automated services now enable investors who focus on yield to easily identify high-yielding deposit sources. Such customers are highly rate sensitive and can be a less stable source of funding than typical relationship deposit customers. Because they often have no other relationship with the bank, these customers may rapidly transfer funds to other institutions if more attractive returns become available.

The agencies expect each institution to establish and adhere to a sound liquidity and funds management policy. The institution's board of directors, or a committee of the board, also should ensure that senior management takes the necessary steps to monitor and control liquidity risk. This process includes establishing procedures, guidelines, internal controls, and limits for managing and monitoring liquidity and reviewing the institution's liquidity

[8] *http://www.fdicig.gov/semi-reports/sar2010mar/OIGSar2010.pdf.*

position, including its deposit structure, on a regular basis. A necessary prerequisite to sound liquidity and funds management decisions is a sound management information system, which provides certain basic information including data on non-relationship funding programs, such as brokered deposits, deposits obtained through the Internet or other types of advertising, and other similar rate sensitive deposits. Thus, an institution's management should be aware of the number and magnitude of such deposits.

To improve the banking agencies' ability to monitor potentially volatile funding sources, the agencies proposed to close a gap in the information currently available to them through the Call Report by adding a new Memorandum item to Schedule RC–E in which banks would report the estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits.

A deposit listing service is a company that compiles information about the interest rates offered on deposits, such as certificates of deposit, by insured depository institutions. A particular company could be a deposit listing service (compiling information about certificates of deposits) as well as a deposit broker (facilitating the placement of certificates of deposit). A deposit listing service is not a deposit broker if all of the following four criteria are met:

(1) The person or entity providing the listing service is compensated solely by means of subscription fees (*i.e.,* the fees paid by subscribers as payment for their opportunity to see the rates gathered by the listing service) and/or listing fees (*i.e.,* the fees paid by depository institutions as payment for their opportunity to list or "post" their rates). The listing service does not require a depository institution to pay for other services offered by the listing service or its affiliates as a condition precedent to being listed.

(2) The fees paid by depository institutions are flat fees: They are not calculated on the basis of the number or dollar amount of deposits accepted by the depository institution as a result of the listing or "posting" of the depository institution's rates.

(3) In exchange for these fees, the listing service performs no services except (A) the gathering and transmission of information concerning the availability of deposits; and/or (B) the transmission of messages between depositors and depository institutions (including purchase orders and trade confirmations). In publishing or displaying information about depository institutions, the listing service must not attempt to steer funds toward particular institutions (except that the listing service may rank institutions according to interest rates and also may exclude institutions that do not pay the listing fee). Similarly, in any communications with depositors or potential depositors, the listing service must not attempt to steer funds toward particular institutions.

(4) The listing service is not involved in placing deposits. Any funds to be invested in deposit accounts are remitted directly by the depositor to the insured depository institution and not, directly or indirectly, by or through the listing service.

The agencies received 15 comments (nine banks, three bankers' associations, two law firms, and one deposit listing service) that addressed the proposed collection of the estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits. Only the two law firms supported the addition of the proposed Memorandum item to the Call Report. The other 13 commenters expressed varying degrees of opposition to the proposal.

The deposit listing service recommended the agencies withdraw this proposal because not all listing services serve the same types of customers, not all listing service deposits can be easily tracked and controlled, not all listing services represent a source of high-yield deposits, and the collection of the proposed Memorandum item may dissuade bank examiners from appropriately evaluating the volatility and rate sensitivity of deposits reported in the item. Seven of the banks opposing this proposed Memorandum item raised these same four arguments. The other two banks and two of the bankers' associations that objected to the proposed item cited the difficulty in identifying and tracking deposits obtained from listing services. The other bankers' association expressed concern that the addition of a new Call Report item on deposits obtained from listing services, which are currently included in core deposits, "will be a first step to exclude these funds from being considered core deposits." [9]

In contrast, the two law firms supporting this proposed Call Report revision characterized it as "a step in the right direction," "long overdue," and "a necessary and vital step toward developing a rational policy concerning access to the national deposit funding markets by banks." One law firm commented that "[s]ince the FDIC issued a Final Rule in 2009 to revise insurance assessments on brokered deposits (12 CFR part 327), * * * numerous IDIs have turned away from accepting brokered deposits in favor of unregulated and opaque deposits from deposit listing services as an alternative (and less scrutinized) source for their non-core out-of-area funding." The other law firm made a similar observation, adding that the proposed Memorandum item "will provide important information to regulators about each banks' deposit funding sources."

Although commenters, including the deposit listing service, expressed concern about the ability to identify deposits obtained through the use of listing services, the deposit listing service described itself "[a]s a closed, member-only listing service" and stated that it "has always provided banks with tracking utilities and reports that will allow for the analysis of deposits being generated" through the use of the listing service, thereby easing "administrative burdens for our financial institution subscribers." The listing service also noted that this "is not the case with most or all other listing services." In addition, the deposit listing service stated that:

> Further complicating matters is the fact that some public, open listing services, national publications and rate-advertising Websites will post a bank's rate without the bank's authorization. These sources routinely pick up the bank's rates from its own Website, without the institution's knowledge. Because the bank did not initiate the advertisements (and may not even be aware that they exist), the bank will not be able to quantify deposits coming from these other sources for the purpose of the call report.

One bank made a similar observation about rate-advertising Web sites, stating that "[w]e do not pay to have our rates listed on such sites since we concentrate on relationships with local customers but it is possible that some of our customers opened their accounts with us based on those listings." The bank recommended that, if the proposed Memorandum item is added to the Call Report, "the instructions should exempt deposits acquired based on deposit listing services when the bank did not take any action to have its rates listed by the service."

The agencies acknowledge that, unless a deposit listing service offers deposit tracking to its bank customers, the precise amount of deposits obtained through the use of listing services is not readily determinable. It was for this

[9] *See* Section II.H. below for information on a change in the definition of core deposits unrelated to the proposed Memorandum item for nonbrokered deposits obtained through the use of deposit listing services.

reason that the agencies specifically proposed that banks report the estimated amount of listing service deposits. Furthermore, although some comment letters suggested the agencies' proposed new Memorandum item was designed to capture all deposits obtained via the Internet, that is not the intended scope of the proposed item.

In their comments, the deposit listing service and several banks expressed concern that the addition of the proposed Memorandum item to the Call Report will "encourage examiners to simply apply a blanket assumption of volatility and rate sensitivity to all deposits" reported in the new item. One bankers' association questioned what would be served if the agencies were to collect this information. The estimated amount of deposits obtained through deposit listing services, and how the estimate changes over time, will serve as additional data points for examiners as they begin their comprehensive fact-specific evaluations of the stability of banks' deposit bases. The collection of the proposed item is not intended to eliminate examiners' assessments of depositors' characteristics, which of necessity entails a thorough analysis of the risk factors associated with a bank's depositors and how bank management identifies, measures, manages, and controls these risks. Information on the level and trend of an individual bank's deposits obtained through the use of listing services also will assist examiners in planning how they will evaluate liquidity and funds management during examinations of the bank. From a surveillance perspective, significant changes in a bank's use of listing service deposits may trigger supervisory follow-up prior to the next planned examination.

After considering the comments on its proposal, the agencies have decided to proceed with the proposed new Memorandum item for the estimated amount of deposits obtained through the use of deposit listing services. As mentioned above, the new item is not intended to capture all deposits obtained through the Internet, such as deposits that a bank receives because a person or entity has seen the rates the bank has posted on its own Web site or on a rate-advertising Web site that has picked up and posted the bank's rates on its site without the bank's authorization. Accordingly, the final instructions will state that the objective of the Memorandum item is to collect the estimated amount of deposits obtained as a result of action taken by the bank to have its deposit rates listed by a listing service, and the listing service is compensated for this listing either by the bank whose rates are being listed or by the persons or entities who view the listed rates. However, the final instructions for the Memorandum item also will indicate that the actual amount of nonbrokered listing service deposits, rather than an estimate, should be reported for those deposits acquired through the use of a service that offers deposit tracking. A bank should establish a reasonable and supportable estimation process for identifying listing service deposits that meet these reporting parameters and apply this process consistently over time.

D. Deposits of Individuals, Partnerships, and Corporations

In Call Report Schedule RC–E, Deposit Liabilities, banks currently report separate breakdowns of their transaction and nontransaction accounts (in domestic offices) by category of depositor. The predominant depositor category is deposits of "Individuals, partnerships, and corporations," which comprises more than 90 percent of total deposits in domestic offices. The recent crisis has demonstrated that business depositors' behavioral characteristics are significantly different than the behavioral characteristics of individuals. Thus, separate reporting of deposits of individuals versus deposits of partnerships and corporations would enable the banking agencies to better assess the liquidity risk profile of institutions given differences in the relative stability of deposits from these two sources.

As proposed to be revised, Schedule RC–E, item 1, "Individuals, partnerships, and corporations," would be split into item 1.a, "Individuals," and item 1.b, "Partnerships and corporations." Under this proposal, accounts currently reported in item 1 for which the depositor's taxpayer identification number, as maintained on the account in the bank's records, is a Social Security Number (or an Individual Taxpayer Identification Number [10]) should be treated as deposits of individuals. In general, all other accounts currently reported in item 1 should be treated as deposits of partnerships and corporations. However, Schedule RC–E, item 1, also includes all certified and official checks. To limit the reporting burden of this proposed change, official checks in the form of money orders and travelers checks would be reported as deposits of individuals. Certified checks and all other official checks would be reported as deposits of partnerships and corporations. The agencies requested comment on this approach to reporting certified and official checks.

The agencies received three comments from banks and two comments from bankers' associations on the proposal for separate reporting of deposits of individuals versus deposits of partnerships and corporations. Two bank commenters requested the exemption of smaller banks from this proposed reporting requirement. The third bank and the two bankers' associations stated the proposal would require significant system programming changes and the bank also questioned the meaningfulness of the separate information. These commenters indicated that if the new deposit breakdown were adopted, it should be deferred until either December 31, 2011, or March 31, 2012, to allow time for banks to make the necessary systems changes. The bankers' associations also recommended that all certified and official checks be reported together in one of the two depositor categories, with one of the associations expressing a preference for reporting all of these checks as deposits of partnerships and corporations. Finally, one bankers' association recommended that all brokered deposits and all uninvested trust funds be reported as deposits of partnerships and corporations, and all mortgage escrows be reported as deposits of individuals.

The agencies have reconsidered their proposal for banks to report deposits of individuals separately from deposits of partnerships and corporations in Schedule RC–E. Although the agencies continue to believe that information distinguishing between deposits of individuals and deposits of partnerships and corporations would enhance the agencies ability to assess the liquidity risk profile of institutions, they acknowledge the proposed reporting revision could necessitate extensive programming changes and impose significant reporting burden. As a result of this reevaluation, the agencies have decided not to implement this proposed Call Report revision.

E. Variable Interest Entities

In June 2009, the FASB issued accounting standards that have changed the way entities account for securitizations and special purpose entities. ASU No. 2009–16 (formerly FAS 166) revised ASC Topic 860, Transfers and Servicing, by eliminating the concept of a "qualifying special-

[10] An Individual Taxpayer Identification Number is a tax processing number only available for certain nonresident and resident aliens, their spouses, and dependents who cannot get a Social Security Number. It is a 9-digit number, beginning with the number "9," in a format similar to a Social Security Number.

purpose entity" (QSPE) and changing the requirements for derecognizing financial assets. ASU No. 2009–17 (formerly FAS 167) revised ASC Topic 810, Consolidation, by changing how a bank or other company determines when an entity that is insufficiently capitalized or is not controlled through voting or similar rights, *i.e.,* a "variable interest entity" (VIE), should be consolidated. For most banks, ASU Nos. 2009–16 and 2009–17 took effect January 1, 2010.

Under ASC Topic 810, as amended, determining whether a bank is required to consolidate a VIE depends on a qualitative analysis of whether that bank has a "controlling financial interest" in the VIE and is therefore the primary beneficiary of the VIE. The analysis focuses on the bank's power over and interest in the VIE. With the removal of the QSPE concept from generally accepted accounting principles that was brought about in amended ASC Topic 860, a bank that transferred financial assets to an SPE that met the definition of a QSPE before the effective date of these amended accounting standards was required to evaluate whether, pursuant to amended ASC Topic 810, it must begin to consolidate the assets, liabilities, and equity of the SPE as of that effective date. Thus, when implementing amended ASC Topics 860 and 810 at the beginning of 2010, banks began to consolidate certain previously off-balance securitization vehicles, asset-backed commercial paper conduits, and other structures. Going forward, banks with variable interests in new VIEs must evaluate whether they have a controlling financial interest in these entities and, if so, consolidate them. In addition, banks must continually reassess whether they are the primary beneficiary of VIEs in which they have variable interests.

For those VIEs that banks must consolidate, the banking agencies' Call Report instructional guidance advises institutions to report the assets and liabilities of these VIEs on the Call Report balance sheet (Schedule RC) in the balance sheet category appropriate to the asset or liability. However, ASC paragraph 810–10–45–25 [11] requires a reporting entity to present "separately on the face of the statement of financial position: a. Assets of a consolidated variable interest entity (VIE) that can be used only to settle obligations of the consolidated VIE [and] b. Liabilities of a consolidated VIE for which creditors (or beneficial interest holders) do not have recourse to the general credit of the primary beneficiary." This requirement has been interpreted to mean that "each line item of the consolidated balance sheet should differentiate which portion of those amounts meet the separate presentation conditions." [12] In requiring separate presentation for these assets and liabilities, the FASB agreed with commenters on its proposed accounting standard on consolidation that "separate presentation * * * would provide transparent and useful information about an enterprise's involvement and associated risks in a variable interest entity." [13] The banking agencies concur that separate presentation would provide similar benefits to them and other Call Report users, particularly since data on securitized assets that are reconsolidated are no longer reported on Call Report Schedule RC–S, Servicing, Securitization, and Asset Sale Activities.

Consistent with the presentation requirements discussed above, the banking agencies proposed to add a new Schedule RC–V, Variable Interest Entities, to the Call Report in which banks would report a breakdown of the assets of consolidated VIEs that can be used only to settle obligations of the consolidated VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting bank. The following proposed categories for these assets and liabilities would include some of the same categories presented on the Call Report balance sheet (Schedule RC): Cash and balances due from depository institutions, Held-to-maturity securities; Available-for-sale securities; Securities purchased under agreements to resell, Loans and leases held for sale; Loans and leases, net of unearned income; Allowance for loan and lease losses; Trading assets (other than derivatives); Derivative trading assets; Other real estate owned; Other assets; Securities sold under agreements to repurchase; Derivative trading liabilities; Other borrowed money (other than commercial paper); Commercial paper; and Other liabilities. These assets and liabilities would be presented separately for securitization vehicles, asset-backed commercial paper conduits, and other VIEs.

In addition, the agencies proposed to include two separate items in new Schedule RC–V in which banks would report the total amounts of all other assets and all other liabilities of consolidated VIEs (*i.e.,* all assets of consolidated VIEs that are not dedicated solely to settling obligations of the VIE and all liabilities of consolidated VIEs for which creditors have recourse to the general credit of the reporting bank). The collection of this information would help the agencies understand the total magnitude of consolidated VIEs. These assets and liabilities also would be reported separately for securitization vehicles, asset-backed commercial paper conduits, and other VIEs.

The asset and liability information collected in Schedule RC–V would represent amounts included in the reporting bank's consolidated assets and liabilities reported on Schedule RC, Balance Sheet, *i.e.,* after eliminating intercompany transactions.

The agencies received one comment from a bankers' association that addressed proposed Schedule RC–V. The bankers' association recommended delaying the March 2011 effective date of this new schedule until a later quarter because the collection of the data to be reported in the schedule, given the proposed level of granularity, would be mostly a manual process involving spreadsheets until systems modifications could be made.

Because the Call Report balance sheet is completed on a consolidated basis, the VIE amounts that banks would report in new Schedule RC–V are amounts that, through the consolidation process, already must be reported in the appropriate balance sheet asset and liability categories. These balance sheet categories, by and large, have been carried over into Schedule RC–V. Schedule RC–V distinguishes between assets of consolidated VIEs that can be used only to settle obligations of the consolidated VIEs and assets not meeting this condition as well as liabilities of consolidated VIEs for which creditors do not have recourse to the general credit of the reporting bank and liabilities not meeting this condition. This distinction is based on existing disclosure requirements applicable to financial statements prepared in accordance with U.S. GAAP, to which the banks likely to have material amounts of consolidated VIE assets and liabilities to report have been subject for one year. Thus, these banks should have a process in place, even if manual, for segregating VIE assets and liabilities based on this distinction.

The agencies recognize that the proposed separate reporting of consolidated VIE assets and liabilities by the type of VIE activity, *i.e.,* securitization vehicles, ABCP conduits, and other VIEs, goes beyond the

[11] Formerly paragraph 22A of FIN 46(R), as amended by FAS 167.

[12] Deloitte & Touche LLP, "Back on-balance sheet: Observations from the adoption of FAS 167," May 2010, page 4 (*http://www.deloitte.com/view/en_US/us/Services/audit-enterprise-risk-services/Financial-Accounting-Reporting/f3a70ca28d9f8210VgnVCM200000bb42f00aRCRD.htm*).

[13] *See* paragraphs A80 and A81 of FAS 167.

disclosure requirements in U.S. GAAP. Otherwise, the proposed data requirements for Schedule RC–V have been based purposely on the GAAP framework. Thus, the agencies have concluded that it would be appropriate to proceed with the introduction of new Schedule RC–V in March 2011 as proposed. Banks are reminded that, as mentioned above, they may provide reasonable estimates in their March 31, 2011, Call Report for any new or revised Call Report item initially required to be reported as of that date for which the requested information is not readily available.

F. Life Insurance Assets

Banks purchase and hold bank-owned life insurance (BOLI) policies as assets, the premiums for which may be used to acquire general account or separate account life insurance policies. Banks currently report the aggregate amount of their life insurance assets in item 5 of Call Report Schedule RC–F, Other Assets, without regard to the type of policies they hold.

Many banks have BOLI assets, and the traditional distinction between those life insurance policies that represent general account products and those that represent separate account products has meaning with respect to the degree of credit risk involved as well as performance measures for the life insurance assets in a volatile market environment. In a general account policy, the general assets of the insurance company issuing the policy support the policy's cash surrender value. In a separate account policy, the policy's cash surrender value is supported by assets segregated from the general assets of the insurance carrier. Under such an arrangement, the policyholder neither owns the underlying separate account created by the insurance carrier on its behalf nor controls investment decisions in the account. Nevertheless, the policyholder assumes all investment and price risk.

A number of banks holding separate account life insurance policies have recorded significant losses in recent years due to the volatility in the markets and the vulnerability to market fluctuations of the instruments that are investment options in separate account life insurance policies. Information distinguishing between the cash surrender values of general account and separate account life insurance policies would allow the banking agencies to track banks' holdings of both types of life insurance policies with their differing risk characteristics and changes in their carrying amounts resulting from their performance over time. Accordingly, the banking agencies proposed to split item 5 of Schedule RC–F into two items: item 5.a, "General account life insurance assets," and item 5.b, "Separate account life insurance assets."

Two insurance consultants and an insurance company submitted comments supporting the agencies' proposal to add a breakdown of life insurance assets by type of policy to the Call Report. However, all three commenters noted that the evolution of life insurance products in recent years has led to a third type of policy becoming more prevalent in the banking industry: Hybrid accounts. Such accounts combine features of general and separate account products by providing the additional asset protection offered by separate accounts while also providing a guaranteed minimum interest-crediting rate, which is common to general accounts. They recommended the agencies revise their proposal from a two-way to a three-way breakdown of life insurance assets or, although not the preferable approach, advise banks with hybrid account life insurance assets to report them together with general account life insurance assets because they have more general account characteristics. Because of the agencies' interest in being better able to understand the risk characteristics of banks' holdings of life insurance assets, the agencies have decided to implement the three-way breakdown of these assets consistent with the commenters' recommendation.

G. Call Report Instructional Revisions

1. Reporting of 1–4 Family Residential Mortgages Held for Trading in Schedule RC–P

The banking agencies began collecting information in Schedule RC–P, 1–4 Family Residential Mortgage Banking Activities in Domestic Offices, in September 2006. At that time, the instructions for Schedule RC–C, part I, Loans and Leases, indicated that loans generally could not be classified as held for trading. Therefore, all 1–4 family residential mortgage loans designated as held for sale were reportable in Schedule RC–P. In March 2008, the banking agencies provided instructional guidance establishing conditions under which banks were permitted to classify certain assets (*e.g.,* loans) as trading, and specified that loans classified as trading assets should be excluded from Schedule RC–C, part I, Loans and Leases, and reported instead in Schedule RC–D, Trading Assets and Liabilities (if the reporting threshold for this schedule were met). However, the agencies neglected to address the reporting treatment in Schedule RC–P of 1–4 family residential loans that met the conditions for classification as trading assets. Therefore, the agencies are proposing to correct this by providing explicit instructional guidance that all 1–4 family residential mortgage banking activities, whether held for sale or trading purposes, are reportable on Schedule RC–P.

The agencies received one comment from a bankers' association on the proposed guidance on the reporting of 1–4 family residential mortgages held for trading in Schedule RC–P. The commenter supported the proposed clarification and requested further clarification on the reporting of repurchases and indemnifications in this schedule. The commenter suggested separate reporting of loan repurchases from indemnifications for all subitems of Schedule RC–P, item 6, "Repurchases and indemnifications of 1–4 family residential mortgage loans during the quarter."

In September 2010, the agencies clarified the Call Report instructions for Schedule RC–P, item 6, to explain which repurchases of 1–4 family residential mortgage loans are reportable in this item. Specifically, instructional guidance was provided stating that banks should exclude 1–4 family residential mortgage loans that have been repurchased solely at the discretion of the bank from item 6. The agencies do not believe there is a supervisory need to separate the reporting of loan repurchases from indemnifications in Schedule RC–P, item 6, but welcome comments regarding any further clarifications to these reporting instructions.

2. Maturity and Repricing Data for Assets and Liabilities at Contractual Ceilings and Floors

Banks report maturity and repricing data for debt securities (not held for trading), loans and leases (not held for trading), time deposits, and other borrowed money in Call Report Schedule RC–B, Securities; Schedule RC–C, part I, Loans and Leases; Schedule RC–E, Deposit Liabilities; and Schedule RC–M, Memoranda, respectively. The agencies use these data to assess, at a broad level, a bank's exposure to interest rate risk. The instructions for reporting the maturity and repricing data currently require that when the interest rate on a floating rate instrument has reached a contractual floor or ceiling level, which is a form of embedded option, the instrument is to be treated as "fixed rate" rather than "floating rate" until the rate is again free to float. As a result, a floating rate instrument whose interest rate has fallen to its floor or risen to its ceiling is reported based on the time remaining until its contractual maturity date rather than the time remaining until the next interest rate adjustment date (or the contractual maturity date, if earlier). This reporting treatment is designed to capture the potential effect of the embedded option under particular interest rate scenarios.

The American Bankers Association (ABA) requested that the agencies reconsider the reporting treatment for floating rate loans with contractual floors and ceilings. More specifically, the ABA recommended revising the instructions so that floating rate loans would always be reported based on the time remaining until the next interest rate adjustment date without regard to whether the rate on the loan has reached a contractual floor or ceiling.

The agencies considered this request and concluded that an instructional revision was warranted, provided it applied to all floating rate instruments for which repricing information is reported in the Call Report, but the extent to which the revision applied to floors and ceilings should be narrower than recommended by the ABA. The agencies concluded that when a floating rate instrument is at its contractual floor or ceiling and the embedded option has intrinsic value to the bank, the floor or ceiling should be ignored and the instrument should be treated as a floating rate instrument. However, if the embedded option has intrinsic value to the bank's counterparty, the contractual floor or ceiling should continue to be taken into account and the instrument should be treated as a fixed rate instrument. For example, when the interest rate on a floating rate loan reaches its contractual ceiling, the embedded option represented by the ceiling has intrinsic value to the borrower and is a detriment to the bank because the loan's yield to the bank is lower than what it would have been without the ceiling. When the interest rate on a floating rate loan reaches its contractual floor, the embedded option represented by the floor has intrinsic value to the bank and is a benefit to the bank because the loan's yield to the bank is higher than what it would have been without the floor.

Accordingly, the agencies proposed to revise the instructions for reporting maturity and repricing data in the four Call Report schedules identified above. As proposed, the instructions would indicate that a floating rate asset that has reached its contractual ceiling and a floating rate liability that has reached its contractual floor would be treated as a fixed rate instrument and reported based on the time remaining until its contractual maturity date. In contrast, the instructions would state that a floating rate asset that has reached its contractual floor and a floating rate liability that has reached its contractual ceiling would be treated as a floating rate instrument and reported based on the time remaining until the next interest rate adjustment date (or the contractual maturity date, if earlier).

The agencies received comments from two bankers' associations on this proposed instructional change. One bankers' association recommended the agencies adopt their proposed approach only for floating rate loans reported in Schedule RC–C, part I. This bankers' association opposed extending the same proposed approach to the other three Call Report schedules in which repricing data are reported for certain other floating rate instruments because its "members believe that not enough research has been completed" to understand the effect of the proposed instructional change on how these other instruments would be reported. The other bankers' association recommended against proceeding with the proposed instructional change because of the implementation burden associated with the multiple systems that would need to be revised. This association also observed that the revised information for floating rate instruments at contractual ceilings and floors would be commingled with the maturity and repricing information for all of the other instruments in the same asset or liability category.

After considering the comments received, the agencies have decided not to change the instructions for reporting repricing information for floating rate instruments at contractual ceilings and floors in Schedules RC–B; RC–C; part I, RC–E; and RC–M. Such floating rate instruments should continue to be reported in these schedules in accordance with the longstanding requirement that the instruments be treated as "fixed rate" rather than "floating rate" until their rate is again free to float.

H. Definitions of Core Deposits and Non-Core Funding

As previously mentioned, two bankers' associations submitted comments addressing the definition of core deposits, which was not part of the agencies' proposed Call Report revisions for March 2011. The associations noted that the definition of this term, which is used in the calculation of ratios published by the agencies in the Uniform Bank Performance Report (UBPR), currently incorporates a $100,000 threshold for time deposits. This amount was the standard maximum deposit insurance amount before the enactment of the Dodd-Frank Act, which permanently increased the standard maximum amount to $250,000 on July 21, 2010. Consequently, one bankers' association urged the agencies to adjust the core deposit threshold to $250,000 for consistency with the deposit insurance limit. Similarly, the second bankers' association stated this change in the standard maximum deposit insurance amount eliminated the need to continue to base the identification of core deposits on the $100,000 threshold. This association recommended that references in the Call Report to $100,000 be revised and updated.

The banking agencies publish the UBPR quarterly to facilitate peer comparisons of bank performance by bankers, examiners, and bank analysts. UBPR data are calculated primarily from data reported in the Call Report. The UBPR includes a liquidity page that contains calculated values for a variety of predefined ratios, including several ratios measuring core and non-core funding dependency. The agencies' staffs use these ratios for offsite surveillance purposes to identify institutions with potentially heightened risk characteristics, while examiners may use these ratios in their reports, as appropriate, for benchmarking purposes in their liquidity analyses.

At present, the UBPR defines core deposits as the sum of demand deposits, negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, money market deposit accounts (MMDA), other savings deposits, and time deposits of less than $100,000. All time deposits with balances of $100,000 or more, including those with balances between $100,000 and $250,000, are not included in core deposits for UBPR purposes.

The UBPR also defines an associated concept, non-core liabilities, as total time deposits of $100,000 or more, other borrowed money, foreign office deposits, securities sold under agreements to repurchase, Federal funds purchased, and brokered deposits of less than $100,000. Thus, for example, all fully insured time deposits in amounts greater than $100,000 are currently deemed to be non-core liabilities. Finally, the UBPR further refines the concept of non-core liabilities by separately defining short-term non-core liabilities as those non-core liabilities with maturities of one year or less.

For purposes of liquidity evaluations conducted during safety-and-soundness examinations, examiners are expected to consider a variety of factors in assessing the stability of a bank's deposit base. Given that such an assessment is complex and fact specific, a bank's core deposit and non-core funding ratios calculated by the UBPR are best viewed as a starting point for further liquidity analysis. Furthermore, a strong case can be made that the current UBPR definitions of core deposits and non-core funds are not the appropriate starting point for analysis given the permanent change in the standard maximum deposit insurance amount to $250,000. At present, non-brokered time deposits of $100,000 or more with fully insured balances are automatically being deemed non-core funds in the current UBPR. Although examiners can, and are expected to, look through ratios to assess the underlying stability of deposits, it seems inappropriate to automatically penalize all such deposits with a non-core funding designation in the UBPR.

Accordingly, after considering the comments from the two bankers' associations, the agencies have concluded that non-brokered time deposits with balances between $100,000 and $250,000 should be considered core deposits rather than non-core liabilities for UBPR calculation purposes. The agencies further believe that, for consistency, this increased deposit threshold should be incorporated at the same time into the UBPR definitions of non-core liabilities and short-term non-core liabilities. Although the definitional changes for core deposits and non-core liabilities can be implemented using information currently collected in the Call Report, each of two existing Call Report items would need to be revised to support an updated definition of short-term non-core liabilities that reflects the increased standard maximum insurance amount of $250,000. Therefore, effective with the Call Report for March 31, 2011, the agencies have decided to implement a further breakdown of two items in Schedule RC–E, Deposit Liabilities, as follows:

(1) Existing Memorandum item 1.d.(2), "Brokered deposits of $100,000 or more with a remaining maturity of one year or less," would be split into new Memorandum item 1.d.(2), "Brokered deposits of $100,000 through $250,000 with a remaining maturity of one year or less," and new Memorandum item 1.d.(3), "Brokered deposits of more than $250,000 with a remaining maturity of one year or less," and

(2) Existing Memorandum item 4.b, "Time deposits of $100,000 or more with a remaining maturity of one year or less," would be split into new Memorandum item 4.b, "Time deposits of $100,000 through $250,000 with a remaining maturity of one year or less," and new Memorandum item 4.c, "Time deposits of more than $250,000 with a remaining maturity of one year or less."

For UBPR calculation purposes beginning with Call Report data reported as of March 31, 2011, core deposits will be defined as the sum of demand deposits, NOW accounts, ATS accounts, MMDAs, other savings deposits, and total time deposits of $250,000 or less, minus brokered deposits of $250,000 or less. Non-core liabilities will be defined as the sum of total time deposits of more than $250,000, brokered deposits of $250,000 or less, other borrowed money, foreign office deposits, securities sold under agreements to repurchase, and Federal funds purchased. Short-term non-core liabilities will be defined as the sum of time deposits of more than $250,000 with a remaining maturity of one year or less, brokered deposits of $250,000 or less with a remaining maturity of one year or less, other borrowed money with a remaining maturity of one year or less, foreign office deposits with a remaining maturity of one year or less, securities sold under agreements to repurchase, and Federal funds purchased.

Request for Comment

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

(a) Whether the proposed revisions to the collections of information that are the subject of this notice are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

(b) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

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

Dated: January 20, 2011.

Michele Meyer,

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

Board of Governors of the Federal Reserve System, January 24, 2011.

Jennifer J. Johnson,

Secretary of the Board.

Dated at Washington, DC, this 20th day of January 2011.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

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