

**DEPARTMENT OF THE TREASURY****Office of the Comptroller of the Currency****FEDERAL RESERVE SYSTEM****FEDERAL DEPOSIT INSURANCE CORPORATION****DEPARTMENT OF THE TREASURY****Office of Thrift Supervision****Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Joint notice and request for comment.

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. chapter 35), the OCC, the Board, the FDIC, and the OTS (the “agencies”) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies’ publication for public comment of a proposal to revise the Consolidated Reports of Condition and Income (Call Report) for banks, the Thrift Financial Report (TFR) for savings associations, the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002), and the Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S), all of which are currently approved collections of information, effective as of the June 30, 2011, report date. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC and the agencies should modify the proposed revisions prior to giving final approval. The agencies will then submit the revisions to OMB for review and approval.

**DATES:** Comments must be submitted on or before May 16, 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](mailto: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)” or “Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S),” 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](mailto: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](mailto: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.

**OTS:** You may submit comments, identified by “1550–0023 (TFR: Schedule DI Revisions),” by any of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.
- **E-mail address:**

[infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov). Please include “1550–0023 (TFR: Schedule DI Revisions)” in the subject line of the message and include your name and telephone number in the message.

- **Fax:** (202) 906–6518.
- **Mail:** Information Collection Comments, Chief Counsel’s Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention: “1550–0023 (TFR: Schedule DI Revisions).”

- **Hand Delivery/Courier:** Guard’s Desk, East Lobby Entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention: Information Collection Comments, Chief Counsel’s Office, Attention: “1550–0023 (TFR: Schedule DI Revisions).”

**Instructions:** All submissions received must include the agency name and OMB Control Number for this information

collection. All comments received will be posted without change to the OTS Internet Site at <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>, including any personal information provided.

**Docket:** For access to the docket to read background documents or comments received, go to <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>. In addition, you may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment for access, call (202) 906-5922, send an e-mail to [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov), or send a facsimile transmission to (202) 906-7755. (Prior notice identifying the materials you will be requesting will assist us in serving you.) We schedule appointments on business days between 10 a.m. and 4 p.m. In most cases, appointments will be available the next business day following the date we receive a request.

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, FFIEC 002, and FFIEC 002S forms can be obtained at the FFIEC's Web site ([http://www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm)). Copies of the TFR can be obtained from the OTS's Web site (<http://www.ots.treas.gov/main.cfm?catNumber=2&catParent=0>).

**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.

**OTS:** Ira L. Mills, OTS Clearance Officer, at [Ira.Mills@ots.treas.gov](mailto:Ira.Mills@ots.treas.gov), (202)

906-6531, or facsimile number (202) 906-6518, Regulations and Legislation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**SUPPLEMENTARY INFORMATION:** The agencies are proposing to revise the Call Report, the TFR, the FFIEC 002, and the FFIEC 002S, which are currently approved collections of information.

1. **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:** 1,440 national banks.

**Estimated Time per Response:** 53.24 burden hours.

**Estimated Total Annual Burden:** 306,662 burden hours.

#### Board

**OMB Number:** 7100-0036.

**Estimated Number of Respondents:** 826 State member banks.

**Estimated Time per Response:** 55.32 burden hours.

**Estimated Total Annual Burden:** 182,777 burden hours.

#### FDIC

**OMB Number:** 3064-0052.

**Estimated Number of Respondents:** 4,687 insured State nonmember banks.

**Estimated Time per Response:** 40.44 burden hours.

**Estimated Total Annual Burden:** 758,169 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.

2. **Report Title:** Thrift Financial Report (TFR).

**Form Number:** OTS 1313 (for savings associations).

**Frequency of Response:** Quarterly; Annually.

**Affected Public:** Business or other for-profit.

#### OTS

**OMB Number:** 1550-0023.

**Estimated Number of Respondents:** 731 savings associations.

**Estimated Time per Response:** 60.3 hours average for quarterly schedules and 2.0 hours average for schedules required only annually plus recordkeeping of an average of one hour per quarter.

**Estimated Total Annual Burden:** 183,943 burden hours.

3. **Report Titles:** Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks; Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank.

**Form Numbers:** FFIEC 002; FFIEC 002S.

#### Board

**OMB Number:** 7100-0032.

**Frequency of Response:** Quarterly.

**Affected Public:** U.S. branches and agencies of foreign banks.

**Estimated Number of Respondents:** FFIEC 002—236; FFIEC 002S—57.

**Estimated Time per Response:** FFIEC 002—25.43 hours; FFIEC 002S—6 hours.

**Estimated Total Annual Burden:** FFIEC 002—24,003 hours; FFIEC 002S—1,368 hours.

#### General Description of Reports

These information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for State member banks), 12 U.S.C. 1817 (for insured State nonmember commercial and savings banks), 12 U.S.C. 1464 (for savings associations), and 12 U.S.C. 3105(c)(2), 1817(a), and 3102(b) (for U.S. branches and agencies of foreign banks). Except for selected data items, the Call Report, the TFR, and the FFIEC 002 are not given confidential treatment. The FFIEC 002S is given confidential treatment [5 U.S.C. 552(b)(4)].

#### Abstracts

Call Report and TFR: Institutions submit Call Report and TFR 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 and TFR data provide the most current statistical data available for evaluating institutions' corporate applications, identifying areas of focus for both on-site and off-site examinations, and monetary and other public policy purposes. The agencies use Call Report and TFR 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 and TFR data also are used to calculate all institutions' deposit insurance and Financing Corporation assessments, national banks' semiannual assessment fees, and the OTS's assessments on savings associations.

FFIEC 002 and FFIEC 002S: On a quarterly basis, all U.S. branches and agencies of foreign banks are required to file the FFIEC 002, which is a detailed report of condition with a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the International Banking Act of 1978. The data also are used to augment the bank credit, loan, and deposit information needed for monetary policy and other public policy purposes. The FFIEC 002S is a supplement to the FFIEC 002 that collects information on assets and liabilities of any non-U.S. branch that is managed or controlled by a U.S. branch or agency of the foreign bank. Managed or controlled means that a majority of the responsibility for business decisions (including, but not limited to, decisions with regard to lending or asset management or funding or liability management) or the responsibility for recordkeeping in respect of assets or liabilities for that foreign branch resides at the U.S. branch or agency. A separate FFIEC 002S must be completed for each managed or controlled non-U.S. branch. The FFIEC 002S must be filed quarterly along with the U.S. branch or agency's FFIEC 002. The data from both reports are used for: (1) Monitoring deposit and credit transactions of U.S. residents; (2) monitoring the impact of policy changes; (3) analyzing structural issues concerning foreign bank activity in U.S. markets; (4) understanding flows of banking funds and indebtedness of developing countries in connection with data collected by the International Monetary Fund and the Bank for International Settlements that are used in economic analysis; and (5) assisting in the supervision of U.S. offices of foreign banks. The Federal Reserve System collects and processes these reports on behalf of the OCC, the Board, and the FDIC.

## Current Actions

### I. Deposit Insurance Assessment Base

In recent years, the FDIC has charged insured depository institutions (IDIs) an amount for deposit insurance equal to the deposit insurance assessment base times a risk-based assessment rate. Under this assessment system, which is set forth in part 327 of the FDIC's

regulations (12 CFR part 327), the assessment base has been domestic deposits minus a few allowable exclusions, such as pass-through reserve balances. At present, an IDI reports its assessment base on a quarter-end basis in its regulatory report (Call Report, TFR, or FFIEC 002 report, as appropriate). However, the assessment base is reported on a daily average basis by larger institutions (that is, those with \$1 billion or more in total assets), institutions insured by the FDIC after March 31, 2007, and other IDIs that elect to do so.

The FDIC calculates an initial base assessment rate (IBAR) for each IDI based on CAMELS ratings, a number of inputs derived from data the IDI reports in its regulatory report, and, for large institutions that have long-term debt issuer ratings, from these ratings. Under the existing assessment system, an IDI's total base assessment rate can vary from the IBAR as the result of three possible adjustments: the unsecured debt adjustment, the secured liability adjustment, and the brokered deposit adjustment.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203, July 21, 2010) requires the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. Specifically, section 331(b) of the Dodd-Frank Act (to be codified at 12 U.S.C. 1817(nt)) directs the FDIC:

[T]o define the term 'assessment base' with respect to an insured depository institution \* \* \* as an amount equal to

(1) The average consolidated total assets of the insured depository institution during the assessment period; minus

(2) The sum of —

(A) the average tangible equity of the insured depository institution during the assessment period; and

(B) In the case of an insured depository institution that is a custodial bank (as defined by the Corporation, based on factors including the percentage of total revenues generated by custodial businesses and the level of assets under custody) or a banker's bank (as that term is used in \* \* \* (12 U.S.C. 24)), an amount that the Corporation determines is necessary to establish assessments consistent with the definition under section 7(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)) for a custodial bank or a banker's bank.

On February 7, 2011, the FDIC Board of Directors adopted a final rule that implements the requirements of section 331(b) of the Dodd-Frank Act by amending part 327 of the FDIC's regulations to redefine the assessment base used for calculating deposit insurance assessments effective April 1,

2011.<sup>1</sup> In general, the FDIC's final rule requires that all IDIs report average consolidated total assets in conformance with existing Call Report calculation requirements, except that institutions with assets of \$1 billion or more and all newly insured depository institutions must report this average based on daily balances during the calendar quarter. Institutions with less than \$1 billion in assets may report average consolidated total assets based on weekly balances during the calendar quarter, unless they choose to report daily averages. However, once an institution begins to report using daily averages, it must continue to do so.

In the case of an IDI that is the parent company of other IDIs, the FDIC's final rule requires that the parent IDI report its daily or weekly average consolidated total assets without consolidating its IDI subsidiaries into the calculations. For IDIs with consolidated subsidiaries that are not IDIs, the FDIC's final rule provides that these subsidiaries' assets, including those eliminated in consolidation, must be calculated using a daily or weekly averaging method, corresponding to the daily or weekly averaging requirement of the parent institution. Call Report instructions in effect for the quarter for which data are being reported will govern the calculation of the average amount of subsidiaries' assets, including those eliminated in consolidation. Current Call Report instructions state that, for purposes of consolidation, the date of the financial statements of a subsidiary should, to the extent practicable, match the date of the parent institution's financial statements, but in no case differ by more than one quarter. However, under the FDIC's final rule, once an institution reports the average amount of subsidiaries' assets, including those eliminated in consolidation, using concurrent data, the institution must do so for all subsequent quarters.

The FDIC's final rule uses Tier 1 capital as the measure for tangible equity. In general, the final rule requires institutions with assets of \$1 billion or more and all newly insured institutions to report the average of the current quarter's month-end balances of Tier 1 capital, but allows an institution with less than \$1 billion in average consolidated total assets to report the end-of-quarter amount of Tier 1 capital as its average tangible equity. An institution with less than \$1 billion in average consolidated total assets may elect permanently to report average tangible equity capital using the current quarter's month-end balances.

<sup>1</sup> 76 FR 10672, February 25, 2011.

Under the FDIC's final rule, an IDI with one or more IDI subsidiaries must report average tangible equity (or end-of-quarter tangible equity, as appropriate) without consolidating its IDI subsidiaries into the calculations. An IDI that reports average tangible equity using a monthly averaging method and has subsidiaries that are not IDIs must use monthly average data for the subsidiaries. The monthly average data for these subsidiaries, however, may be calculated using data for the current quarter or the prior quarter consistent with the method used for these subsidiaries' data when reporting average consolidated total assets.

For a banker's bank, the final rule provides for the deduction of certain assets from its assessment base, as permitted by the Dodd-Frank Act, provided the bank conducts at least 50 percent of its business with entities other than its parent holding company or entities other than those controlled directly or indirectly by its parent holding company. For a qualifying banker's bank, this deduction equals the sum of its average balances due from Federal Reserve Banks plus its average Federal funds sold. However, the amount of this deduction cannot exceed the sum of the banker's bank's average deposits due to commercial banks and other depository institutions in the United States plus its average Federal funds purchased. These averages would be calculated on a daily or weekly basis consistent with the banker's bank's calculation of its average consolidated total assets.

The FDIC's final rule defines a custodial bank as an IDI that had "fiduciary and custody and safekeeping assets" of at least \$50 billion as of the end of the previous calendar year or gross fiduciary and related services income of at least 50 percent of its total revenue (interest income plus noninterest income) during the previous calendar year. Consistent with the Dodd-Frank Act, the final rule provides for the deduction of the daily or weekly average amount of certain low-risk assets from the assessment base of custodial banks. These assets are the portion of a custodial bank's cash and balances due from depository institutions, held-to-maturity securities, available-for-sale securities, Federal funds sold, and securities purchased under agreements to resell that have a risk weighting for risk-based capital purposes of zero percent, regardless of maturity, plus 50 percent of the portion of these same five types of assets that have a risk weighting of 20 percent, regardless of maturity. However, the amount of the deduction of these low-

risk assets is limited to the daily or weekly average amount of the custodial bank's deposit liabilities classified as transaction accounts and identified by the custodial bank as being directly linked to a fiduciary, custody, or safekeeping account.

As previously mentioned, the FDIC's existing assessment system incorporates adjustments to the assessment rate schedule for types of funding that pose heightened risk to the Deposit Insurance Fund (DIF) or help offset risk to the DIF. Because the magnitude of these adjustments has been calibrated to a domestic deposit assessment base, the FDIC's final rule recalibrates the unsecured debt and brokered deposit adjustments and eliminates the secured liability adjustment. The final rule also adds a depository institution debt adjustment. These changes should more accurately reflect the risk that these funding mechanisms pose to the DIF.

Specifically, the FDIC's final rule changes the assessment rate reduction for long-term unsecured liabilities so the effect of the assessment system on an institution's cost of borrowing using long-term unsecured debt will remain unchanged. The final rule also changes the cap on the unsecured debt adjustment from 5 basis points to the lesser of 5 basis points or 50 percent of an institution's IBAR to ensure that no institution's assessment rate is zero or close to zero. In addition, the final rule removes qualified Tier 1 capital from the definition of long-term unsecured liabilities for small institutions because Tier 1 capital is already deducted from the assessment base as redefined by the Dodd-Frank Act. The final rule also eliminates debt that is redeemable within one year of the reporting date from qualifying as long-term because such a redemption option negates the benefit to the DIF of long-term debt.

The FDIC's final rule also creates a new Depository Institution Debt Adjustment that would apply a 50 basis point charge to every dollar of long-term unsecured debt (in excess of 3 percent of an institution's Tier 1 capital) held by an IDI that was issued by another IDI. This adjustment is intended to offset the benefit received by institutions that issue long-term, unsecured liabilities when those liabilities are held by other IDIs because the risk of this debt remains in the banking system.

The FDIC's final rule retains the brokered deposit adjustment of 25 basis points times the ratio of brokered deposits in excess of 10 percent of domestic deposits, but the adjustment has been recalibrated to the new assessment base. For small institutions, the adjustment would continue to apply

only to institutions in Risk Categories II, III, and IV. For large institutions, the final rule provides an exemption from the adjustment for institutions that are well-capitalized and have a composite CAMELS rating of 1 or 2. The final rule maintains the 10 basis points cap on the brokered deposit adjustment.

#### *Proposed Regulatory Reporting Changes for the New Assessment Base*

The implementation of the new assessment base will require the agencies to collect some information from IDIs that is not currently collected on the Call Report, the TFR, or the FFIEC 002 report. These reporting changes would take effect as of the June 30, 2011, report date, which is the first quarter-end report date after the April 1, 2011, effective date of the FDIC's final rule. However, the burden of requiring these new data items will be partly offset by deleting some assessment data items currently collected from these regulatory reports. More specifically, the agencies are proposing to delete the existing data items for the total daily averages of deposit liabilities before exclusions, allowable exclusions, and foreign deposits.<sup>2</sup>

Under the FDIC's final rule, with certain exceptions, the assessment base for an IDI is defined as the IDI's average consolidated total assets during the assessment period minus the IDI's average tangible equity during the assessment period. The exceptions pertain to banker's banks, custodial banks, and insured U.S. branches of foreign banks. However, the starting point for the measurement of the assessment base for banker's banks and custodial banks is average consolidated total assets minus average tangible equity. As discussed above, average consolidated total assets must be reported on a daily average basis by institutions with \$1 billion or more in total assets, all newly insured institutions, and institutions with less than \$1 billion in total assets that elect to do so. Institutions with less than \$1 billion in total assets (that are not newly insured) that do not elect to report on a daily average basis must report average consolidated total assets on a weekly average basis.

Under the FDIC's final rule, average consolidated total assets is defined in accordance with the instructions for item 9 of Call Report Schedule RC-K—

<sup>2</sup> In the Call Report, items 4, 5, and 6 in Schedule RC-O—Other Data for Deposit Insurance and FICO Assessments; in the TFR, line items DI540, DI550, and DI560 in Schedule DI—Consolidated Deposit Information; and in the FFIEC 002 report, items 4, 5, and 6 in Schedule O—Other Data for Deposit Insurance Assessments.

Quarterly Averages. These instructions provide that the average should be calculated using the institution's total assets, as defined for Call Report balance sheet (Schedule RC) purposes, except that the institution's calculation should incorporate all debt securities (not held for trading) at amortized cost, equity securities with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.<sup>3</sup> However, the final rule requires certain additional adjustments to the Schedule RC-K method of calculating average consolidated total assets for IDIs with consolidated insured depository subsidiaries<sup>4</sup> and for IDIs involved in mergers and consolidations during the quarter.<sup>5</sup>

Thus, to provide the FDIC with the amount of average consolidated total assets measured in accordance with the FDIC's assessment regulations, the agencies are proposing to add an item for this average to Call Report Schedule RC-O and TFR Schedule DI along with an item in which the institution would report whether it has measured the average using the daily or weekly averaging method. For most banks, the additional adjustments identified in the preceding paragraph will not be applicable. Therefore, if these banks measure average total assets for Schedule RC-K purposes using the same averaging method (daily or weekly) they are required to use for the proposed new Schedule RC-O item, they will be able to carry the average total assets figure reported in Schedule RC-K over to Schedule RC-O. In contrast, for purposes of reporting average total assets in line item SI870 of TFR Schedule SI—Supplemental Information, savings associations do not measure debt and equity securities in

the same manner as banks.<sup>6</sup> Thus, savings associations would not be able to carry the average total assets figure currently reported in Schedule SI to the proposed new Schedule DI item.

Under the FDIC's final rule, tangible equity is defined as Tier 1 capital. Banks currently report the amount of their Tier 1 capital as of quarter-end in item 11 of Call Report Schedule RC-R—Regulatory Capital.<sup>7</sup> Savings associations currently report the amount of their Tier 1 capital as of quarter-end in line item CCR20 of TFR Schedule CCR—Consolidated Capital Requirement. Because the FDIC's final rule reduces average consolidated total assets by average tangible equity, the agencies are proposing to add a new item to Call Report Schedule RC-O and TFR Schedule DI for average Tier 1 capital. In accordance with the FDIC's final rule, average Tier 1 capital must be reported on a monthly average basis by institutions with \$1 billion or more in total assets, all newly insured institutions, and institutions with less than \$1 billion in total assets that elect to do so. Monthly average Tier 1 capital is computed by adding Tier 1 capital as of each month-end during the quarter and dividing by three. Institutions with less than \$1 billion in total assets (that are not newly insured) that do not elect to report on a monthly average basis will report their quarter-end Tier 1 capital (from Schedule RC-R or Schedule CCR, as appropriate) as their "average" Tier 1 capital. As with average consolidated total assets, IDIs with consolidated insured depository subsidiaries<sup>8</sup> and IDIs involved in mergers and consolidations during the quarter<sup>9</sup> must make certain additional adjustments when reporting average Tier 1 capital.

The agencies also are proposing to add comparable new items for average consolidated total assets, the averaging

method used for assets, and average tangible equity to Schedule O of the FFIEC 002 report for insured U.S. branches of foreign banks. In accordance with the FDIC's final rule, average consolidated total assets for an insured branch would be calculated using the total assets of the branch (including net due from related depository institutions), as defined for purposes of Schedule RAL—Assets and Liabilities of the FFIEC 002 report, but with debt and equity securities measured in the same manner as in Call Report Schedule RC-K. In addition, insured branches would calculate average consolidated total assets using a daily or weekly averaging method, as appropriate, based on the same asset size criteria that apply to other IDIs. Tangible equity for an insured branch would be calculated on a monthly average or quarter-end basis, according to the branch's size, and would be defined as eligible assets (determined in accordance with section 347.210 of the FDIC's regulations) less the book value of liabilities (exclusive of liabilities due to the foreign bank's head office, other branches, agencies, offices, or wholly owned subsidiaries).

As discussed above, the FDIC's final rule permits an institution that is a qualifying banker's bank to deduct certain assets from its assessment base up to a specified limit. To be a qualifying banker's bank, an institution must meet the definition of this term in 12 U.S.C. 24 and conduct at least 50 percent of its business with entities other than its parent holding company or entities other than those controlled either directly or indirectly by its parent holding company.<sup>10</sup> Accordingly, the agencies propose to add a yes/no question to Call Report Schedule RC-O and TFR Schedule DI that would ask whether the reporting institution meets both the statutory definition of a banker's bank and the business conduct test. If the institution answers in the affirmative (*i.e.*, that it is a qualifying banker's bank), the institution would then report the data needed by the FDIC to determine the amount to be deducted from its assessment base in two proposed new items. More specifically, a qualifying banker's bank would use the same averaging method it used to calculate average consolidated total assets, *i.e.*, daily or weekly, to report the average amounts of (1) its banker's bank deductions, which is the sum of the

<sup>3</sup> The instructions for Call Report Schedule RC-K, item 9, further provide that, "to the extent that net deferred tax assets included in the bank's total assets, if any, include the deferred tax effects of any unrealized holding gains and losses on available-for-sale debt securities, these deferred tax effects may be excluded from the determination of the quarterly average for total assets. If these deferred tax effects are excluded, this treatment must be followed consistently over time."

<sup>4</sup> Under the final rule, section 327.5(a)(3)(ii) of the FDIC's regulations states that "[i]nvestments in insured depository institution subsidiaries should be included in total assets using the equity method of accounting" rather than on a consolidated basis.

<sup>5</sup> Under the final rule, section 327.5(a)(1)(iii) of the FDIC's regulations states that "[t]he average calculation of the assets of the surviving or resulting institution in a merger or consolidation shall include the assets of all the merged or consolidated institutions for the days in the quarter prior to the merger or consolidation, whether reported by the daily or weekly method."

<sup>6</sup> In addition, savings associations are permitted to use of month-end averaging as an alternative to daily or weekly averaging when reporting average total assets in line item SI870.

<sup>7</sup> For banks with financial subsidiaries, Tier 1 capital is the amount reported in Schedule RC-R, item 11, less the adjustment for investments in financial subsidiaries reported in Schedule RC-R, item 28.a.

<sup>8</sup> Under the final rule, section 327.5(a)(3)(ii) of the FDIC's regulations states that such institutions should report tangible equity "without consolidating their insured depository institution subsidiaries into the calculations. Investments in insured depository institution subsidiaries should be included in total assets using the equity method of accounting."

<sup>9</sup> Under the final rule, section 327.5(a)(2)(iii) of the FDIC's regulations states that "[f]or the surviving institution in a merger or consolidation, Tier 1 capital shall be calculated as if the merger occurred on the first day of the quarter in which the merger or consolidation occurred."

<sup>10</sup> Banker's banks that have funds from government capital infusion programs (such as TARP and the Small Business Lending Fund), and stock owned by the FDIC as a result of bank failures, as well as non-bank-owned stock resulting from equity compensation programs, are not excluded from the definition of a banker's bank.

averages of its balances due from the Federal Reserve and its Federal funds sold, and (2) its banker's bank deduction limit, which is the sum of the averages of its deposit balances due to commercial banks and other depository institutions in the United States and its Federal funds purchased.

Also as mentioned above, an institution that is a custodial bank is permitted to deduct certain average low-risk assets from its assessment base up to a specified limit. As defined in the FDIC's final rule, a custodial bank is an IDI with previous calendar year-end "fiduciary and custody and safekeeping assets" of at least \$50 billion<sup>11</sup> or previous calendar year income from fiduciary activities of at least 50 percent of its previous calendar year revenue.<sup>12</sup> Accordingly, as has been proposed for banker's banks, the agencies propose to add a yes/no question to Call Report Schedule RC-O and TFR Schedule DI that would ask whether the reporting institution meets the definition of a custodial bank. If the institution answers in the affirmative (*i.e.*, that it is a qualifying custodial bank), the institution would then report the data necessary for the FDIC to determine the amount to be deducted from its assessment base in two proposed new items. In this regard, custodial banks would report the average amount of (1) qualifying low-risk assets and (2) transaction account deposit liabilities linked to a fiduciary, custody, or safekeeping account.<sup>13</sup> A custodial bank would compute these averages using the

same averaging method it used to calculate average consolidated total assets, *i.e.*, daily or weekly. Qualifying low-risk assets are the portion of the custodial bank's cash and balances due from depository institutions, held-to-maturity securities, available-for-sale securities, Federal funds sold, and securities purchased under agreements to resell (as defined in Call Report Schedule RC—Balance Sheet, items 1, 2.a, 2.b, 3.a, and 3.b, respectively) that have a zero percent risk weight for risk-based capital purposes plus 50 percent of the portion of these same five types of assets that have a 20 percent risk weight.<sup>14</sup>

As an input to the new Depository Institution Debt adjustment created in the FDIC's final rule, the agencies propose to add an item to Call Report Schedule RC-O, TFR Schedule DI, and FFIEC 002 report Schedule O in which IDIs would report the amount of their holdings of long-term unsecured debt issued by other IDIs (as reported on the balance sheet). Debt would be considered long-term if it has a remaining maturity of at least one year, except if the holder has the option to redeem the debt within the next 12 months. Unsecured debt includes senior unsecured liabilities and subordinated debt. Senior unsecured liabilities are unsecured liabilities that are reportable as "Other borrowings" by the issuing IDI on its quarterly regulatory report, excluding any such liabilities that the FDIC has guaranteed under the Temporary Liquidity Guarantee Program (12 CFR part 370). Subordinated debt includes subordinated notes and debentures and limited-life preferred stock.

Finally, the agencies are proposing to make an instructional change to two existing Call Report and TFR items that are used to determine the unsecured debt adjustment. For the data items for "Unsecured 'Other borrowings'" and "Subordinated notes and debentures" with a remaining maturity of one year or less,<sup>15</sup> the instructions would be revised to include debt instruments for which the holder has the option to

redeem the debt within one year of the report date.

## II. Risk-Based Assessment System for Large Insured Depository Institutions

The FDIC's final rule amends the assessment system applicable to large IDIs to better capture risk at the time the institution assumes the risk, better differentiate risk among large IDIs during periods of good economic and banking conditions based on how they would fare during periods of stress or economic downturns, and better take into account the losses that the FDIC may incur if a large IDI fails.

Under the FDIC's final rule, assessment rates for large IDIs will be calculated using a scorecard that combines CAMELS ratings and certain forward-looking financial measures to assess the risk a large institution poses to the DIF. One scorecard will apply to most large institutions and another to institutions that are structurally and operationally complex or pose unique challenges and risk in the case of failure (highly complex institutions). In general terms, a large institution is an IDI with total assets of \$10 billion or more whereas a highly complex institution is an IDI (other than a credit card bank<sup>16</sup>) with total assets of \$50 billion or more that is controlled by a U.S. holding company that has total assets of \$500 billion or more or an IDI that is a processing bank or trust company.<sup>17</sup> A processing bank or trust company generally is an IDI with total assets of \$10 billion or more; total fiduciary assets of \$500 billion or more; and total non-lending interest income, fiduciary revenues (which must not be zero), and investment banking fees for the last three years in excess of 50 percent of total revenues.<sup>18</sup>

The scorecard for large institutions (other than highly complex institutions) produces two scores—a performance score and a loss severity score—that are converted into a total score. The performance score measures a large institution's financial performance and its ability to withstand stress. The loss severity score measures the relative magnitude of potential losses to the

<sup>11</sup> In Call Report Schedule RC-T—Fiduciary and Related Services Income, the sum of item 10, columns A and B, plus item 11, column B. In TFR Schedule FS—Fiduciary and Related Services, the sum of line items FS20, FS21, and FS280.

<sup>12</sup> In the Call Report, income from fiduciary activities is reported in Schedule RI—Income Statement, item 5.a, and total revenue is the sum of two Schedule RI items: item 1.h, "Total interest income," and item 5.m, "Total noninterest income." In the TFR, income from fiduciary activities is reported in Schedule FS, line item FS30, and total revenue is the sum of two line items in Schedule SO—Consolidated Statement of Operations: line item SO11, Total "Interest income," and line item SO42, Total "Noninterest income."

<sup>13</sup> As defined in Federal Reserve Regulation D, a "transaction account" is defined in general as a deposit or account from which the depositor or account holder is permitted to make transfers or withdrawals by negotiable or transferable instruments, payment orders of withdrawal, telephone transfers, or other similar devices for the purpose of making payments or transfers to third persons or others or from which the depositor may make third party payments at an automated teller machine, a remote service unit, or another electronic device, including by debit card. For purposes of the proposed new transaction account item, custodial banks with deposits in foreign offices would include foreign office deposit liabilities with the characteristics of a transaction account that are linked to fiduciary, custody, and safekeeping accounts.

<sup>14</sup> In the Call Report, the types of assets that are custodial bank low-risk assets are included, as of quarter-end, in items 34 through 37, columns C (zero percent risk weight) and D (20 percent risk weight), of Schedule RC-R—Regulatory Capital. In the TFR, the types of assets that are custodial bank low-risk assets are included, as of quarter-end, in line items CCR400, CCR405, CCR409, and CCR415 (zero percent risk weight) and in line items CCR430, CCR435, CCR440, CCR445, and CCR450 (20 percent risk weight) of Schedule RC—Consolidated Capital Requirement.

<sup>15</sup> In the Call Report, Schedule RC-O, items 7.a and 8.a, respectively. In the TFR, Schedule DI, line items DI645 and DI655, respectively.

<sup>16</sup> As defined in the FDIC's final rule, a credit card bank is an IDI for which credit card receivables plus securitized receivables exceed 50 percent of assets plus securitized receivables.

<sup>17</sup> Under both the FDIC's final rule and the FDIC's existing assessment regulations, an insured U.S. branch of a foreign bank is a "small institution" regardless of its total assets.

<sup>18</sup> See sections 327.8(f), (g), and (s) of the FDIC's regulations for the full definitions of the terms "large institution," "highly complex institution," and "processing bank or trust company," respectively. Insured U.S. branches of foreign banks are excluded from these categories of institutions.

FDIC in the event of a large institution's failure.

The performance score for large institutions is a weighted average of the scores for three components: (1) Weighted average CAMELS rating score; (2) ability to withstand asset-related stress score; and (3) ability to withstand funding-related stress score. The score for the ability to withstand asset-related stress is a weighted average of the scores for four measures:

- Tier 1 leverage ratio;
- Concentration measure (the greater of the higher-risk assets to the sum of Tier 1 capital and reserves score or the growth-adjusted portfolio concentrations score);
- The ratio of core earnings to average quarter-end total assets; and
- Credit quality measure (the greater of the criticized and classified items to the sum of Tier 1 capital and reserves score or the underperforming assets to the sum of Tier 1 capital and reserves score).

The score for the ability to withstand funding-related stress is the weighted average of the scores for two measures that are most relevant to assessing a large institution's ability to withstand such stress:

- A core deposits-to-total liabilities ratio; and
- A balance sheet liquidity ratio, which measures the amount of highly liquid assets needed to cover potential cash outflows in the event of stress.

The loss severity score for large institutions is based on a loss severity measure that estimates the relative magnitude of potential losses to the FDIC in the event of a large institution's failure. The loss severity measure applies a standardized set of assumptions (based on recent failures) regarding liability runoffs and the recovery value of asset categories to calculate possible losses to the FDIC. Asset loss rate assumptions are based on estimates of recovery values for IDIs that failed or came close to failure. Run-off assumptions are based on the actual experience of IDIs that either failed or came close to failure from 2007 through 2009.

For highly complex institutions, there is a different scorecard with measures tailored to the risks these institutions pose. However, the structure and much of the scorecard for a highly complex institution are similar to the scorecard for other large institutions. Like the scorecard for other large institutions, the scorecard for highly complex institutions contains a performance score and a loss severity score. These scores are converted into a total score. The loss severity score for highly

complex institutions is calculated the same way as the loss severity score for other large institutions.

The performance score for highly complex institutions is the weighted average of the scores for the same three components as for large institutions: (1) Weighted average CAMELS rating score; (2) ability to withstand asset-related stress score; and (3) ability to withstand funding-related stress score. However, the measures contained in the latter two components differ from those for large institutions.

The score for the ability to withstand asset-related stress is a weighted average of the scores for four measures:

- Tier 1 leverage ratio;
- Concentration measure (the greatest of the higher-risk assets to the sum of Tier 1 capital and reserves score, the top 20 counterparty exposure to the sum of Tier 1 capital and reserves score, or the largest counterparty exposure to the sum of Tier 1 capital and reserves score);
- The ratio of core earnings to average quarter-end total assets; and
- Credit quality measure (the greater of the criticized and classified items to the sum of Tier 1 capital and reserves score or the underperforming assets to the sum of Tier 1 capital and reserves score) and market risk measure (the weighted average of the four-quarter trading revenue volatility to Tier 1 capital score, the market risk capital to Tier 1 capital score, and the level 3 trading assets to Tier 1 capital score).

The score for the ability to withstand funding-related stress is the weighted average of the scores for three measures, the first two of which are also contained in the scorecard for large institutions:

- A core deposits-to-total liabilities ratio;
- A balance sheet liquidity ratio; and
- An average short-term funding to average total assets ratio.

The method for calculating the total score for large institutions and highly complex institutions is the same. Once the performance and loss severity scores are calculated for a large or highly complex institution, these scores are converted to a total score. Each institution's total score is calculated by multiplying its performance score by a loss severity factor derived from its loss severity score. The total score is then used to determine the IBAR for each large institution and highly complex institution.

For complete details on the scorecards for large institutions and highly complex institutions, including the measures used in the calculation of

performance scores and loss severity scores, see the FDIC's final rule.

#### *Proposed Regulatory Reporting Changes for the Revised Risk-Based Assessment System for Large Institutions and Highly Complex Institutions*

Most of the data used as inputs to the scorecard measures for large institutions and highly complex institutions are available from the Call Reports and TFRs filed quarterly by these institutions, but the data items needed to compute four scorecard measures—higher-risk assets, top 20 counterparty exposures, the largest counterparty exposure, and criticized/classified items—are not. With the revised risk-based assessment system for these institutions under the FDIC's final rule taking effect in the second quarter of 2011, the agencies are proposing that the new data items described below for large institutions be added to the Call Report and the TFR effective June 30, 2011, and that the new data items described below for highly complex institutions be added to the Call Report as of that same date.<sup>19</sup> In addition, certain other data items that will be used in the scorecards for large institutions are not currently reported in the TFR by savings associations. The agencies are proposing to add these data items to the TFR as of June 30, 2011, and they would be reported by savings associations that are large institutions or report \$10 billion or more in total assets as of that or a subsequent quarter-end date. Currently, there are about 110 IDIs with \$10 billion or more in total assets that would be affected by some or all of these additional reporting requirements, of which 20 are savings associations.

The proposed new data items that would be completed by large institutions and highly complex institutions are first discussed below (sections A through G below), followed by a discussion of those proposed data items that would be completed only by highly complex institutions (sections H and I below). The proposed data items for criticized and classified items, nontraditional mortgage loans, subprime consumer loans, leveraged loans, top 20 counterparty exposures, and largest counterparty exposure are currently gathered for the FDIC's use through examination processes at large

<sup>19</sup> It is not necessary to add the data items for highly complex institutions to the TFR because no savings associations are expected to meet the definition of a highly complex institution. If a savings association were to become a highly complex institution before its proposed conversion from filing TFRs to filing Call Reports effective March 31, 2012 (see 76 FR 7082, February 8, 2011), the FDIC would collect the necessary data directly from the savings association.



institutions and are treated as confidential examination information. The agencies are now proposing to obtain these data items directly from each large or highly complex institution in its regular quarterly regulatory report (Call Report or TFR) and use the reported data as inputs to scorecard measures. Because the agencies would continue to regard these items as examination information, the information would continue to be accorded confidential treatment when collected via the Call Report and TFR. Finally, publicly available data items currently collected in the Call Report that are proposed for addition to the TFR as new (publicly available) data items applicable to large institutions are discussed (section J below).

**A. Criticized and Classified Items—**Separate data items would be added to the Call Report for the amount of items designated Special Mention, Substandard, Doubtful, and Loss.<sup>20</sup> These four data items would be completed by large institutions and highly complex institutions and would cover both on- and off-balance sheet items that are criticized and classified. These data items are now collected on a confidential basis from all savings associations on the TFR in Schedule VA—Consolidated Valuation Allowances and Related Data in line items VA960, VA965, VA970, and VA975.

According to Appendix A of the FDIC's final rule:

Criticized and classified items include items an institution or its primary Federal regulator have graded "Special Mention" or worse and include retail items under Uniform Retail Classification Guidelines, securities, funded and unfunded loans, other real estate owned (ORE), other assets, and marked-to-market counterparty positions, less credit valuation adjustments.<sup>2</sup> Criticized and classified items exclude loans and securities in trading books, and the amount recoverable from the U.S. government, its agencies, or government-sponsored agencies, under guarantee or insurance provisions.

<sup>2</sup> A marked-to-market counterparty position is equal to the sum of the net marked-to-market derivative exposures for each counterparty. The net marked-to-market derivative exposure equals the sum of all positive marked-to-market exposures net of legally enforceable netting provisions and net of all collateral held under a legally enforceable CSA plus any exposure where excess collateral has been posted to the counterparty. For purposes of the Criticized and Classified Items/Tier 1 Capital and Reserves definition a marked-to-market

counterparty position less any credit valuation adjustment can never be less than zero.

Saving associations that are large institutions or highly complex institutions would complete existing line items VA960, VA965, VA970, and VA975 in accordance with the preceding Appendix A guidance rather than the existing TFR instructions for these four line items. All other savings associations would continue to follow the existing TFR instructions for these four line items.

**B. Nontraditional Mortgage Loans—**One item would be added to the Call Report and the TFR for the balance sheet amount of nontraditional 1–4 family residential mortgage loans, including certain securitizations of such mortgages. The item would be completed by large institutions and highly complex institutions. As described in Appendix C of the FDIC's final rule, nontraditional mortgage loans include all:

residential loan products that allow the borrower to defer repayment of principal or interest and includes all interest-only products, teaser rate mortgages, and negative amortizing mortgages, with the exception of home equity lines of credit (HELOCs) or reverse mortgages.<sup>8, 9, 10</sup>

For purposes of the higher-risk concentration ratio, nontraditional mortgage loans include securitizations where more than 50 percent of the assets backing the securitization meet one or more of the preceding criteria for nontraditional mortgage loans, with the exception of those securities classified as trading book.

<sup>8</sup> For purposes of this rule making, a teaser-rate mortgage loan is defined as a mortgage with a discounted initial rate where the lender offers a lower rate and lower payments for part of the mortgage term.

<sup>9</sup> <http://www.fdic.gov/regulations/laws/federal/2006/06noticeFINAL.html>.

<sup>10</sup> A mortgage loan is no longer considered a nontraditional mortgage once the teaser rate has expired. An interest only loan is no longer considered nontraditional once the loan begins to amortize.

The amount to be reported for nontraditional mortgage loans would include purchased credit impaired loans as defined in Financial Accounting Standards Board Accounting Standards Codification Subtopic 310–30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03–3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer"). The amount to be reported would exclude amounts recoverable on nontraditional mortgage loans from the U.S. government, its agencies, or government-sponsored agencies, under guarantee or insurance provisions.

**C. Subprime Consumer Loans—**One item would be added to the Call Report and the TFR for the balance sheet amount of subprime consumer loans. The item would be completed by large institutions and highly complex institutions. According to Appendix C of the FDIC's final rule, subprime loans include:

loans made to borrowers that display one or more of the following credit risk characteristics (excluding subprime loans that are previously included as nontraditional mortgage loans) at origination or upon refinancing, whichever is more recent.

- Two or more 30-day delinquencies in the last 12 months, or one or more 60-day delinquencies in the last 24 months;
- Judgment, foreclosure, repossession, or charge-off in the prior 24 months;
- Bankruptcy in the last 5 years; or
- Debt service-to-income ratio of 50 percent or greater, or otherwise limited ability to cover family living expenses after deducting total monthly debt-service requirements from monthly income.<sup>11</sup>

Subprime loans also include loans identified by an insured depository institution as subprime loans based upon similar borrower characteristics and securitizations where more than 50 percent of assets backing the securitization meet one or more of the preceding criteria for subprime loans, excluding those securities classified as trading book.

<sup>11</sup> <http://www.fdic.gov/news/news/press/2001/pr0901a.html>; however, the definition in the text above excludes any reference to FICO or other credit bureau scores.

As with nontraditional mortgages, the amount to be reported for subprime loans would include purchased credit impaired loans, but would exclude amounts recoverable on subprime loans from the U.S. government, its agencies, or government-sponsored agencies, under guarantee or insurance provisions.

**D. Leveraged Loans—**One item would be added to the Call Report and the TFR for the amount of leveraged loans. The item would be completed by large institutions and highly complex institutions. As described in Appendix C of the FDIC's final rule, leveraged loans include:

- (1) All commercial loans (funded and unfunded) with an original amount greater than \$1 million that meet any one of the conditions below at either origination or renewal, except real estate loans;
- (2) securities issued by commercial borrowers that meet any one of the conditions below at either origination or renewal, except securities classified as trading book; and
- (3) securitizations that are more than 50 percent collateralized by assets that meet any one of the conditions below at either origination or renewal, except securities classified as trading book.<sup>4, 5</sup>

<sup>20</sup> Loss items would include any items graded Loss that have not yet been written off against the allowance for loan and leases losses (or another valuation allowance) or charged directly to earnings, as appropriate.



- Loans or securities where borrower's total or senior debt to trailing twelve-month EBITDA<sup>6</sup> (*i.e.* operating leverage ratio) is greater than 4 or 3 times, respectively. For purposes of this calculation, the only permitted EBITDA adjustments are those adjustments specifically permitted for that borrower in its credit agreement; or
- Loans or securities that are designated as highly leveraged transactions (HLT) by syndication agent.<sup>7</sup>

<sup>4</sup> The following guidelines should be used to determine the "original amount" of a loan:

(1) For loans drawn down under lines of credit or loan commitments, the "original amount" of the loan is the size of the line of credit or loan commitment when the line of credit or loan commitment was most recently approved, extended, or renewed prior to the report date. However, if the amount currently outstanding as of the report date exceeds this size, the "original amount" is the amount currently outstanding on the report date.

(2) For loan participations and syndications, the "original amount" of the loan participation or syndication is the entire amount of the credit originated by the lead lender.

(3) For all other loans, the "original amount" is the total amount of the loan at origination or the amount currently outstanding as of the report date, whichever is larger.

<sup>5</sup> Leveraged loans criteria are consistent with guidance issued by the Office of the Comptroller of the Currency in its Comptroller's Handbook, <http://www.occ.gov/static/publications/handbook/LeveragedLending.pdf>, but do not include all of the criteria in the handbook.

<sup>6</sup> Earnings before interest, taxes, depreciation, and amortization.

<sup>7</sup> <http://www.fdic.gov/news/news/press/2001/pr2801.html>.

Institutions would report the balance sheet amount of leveraged loans that have been funded. Unfunded amounts include the unused portions of irrevocable and revocable commitments to make or purchase leveraged loans. The amount to be reported for leveraged loans would include purchased credit impaired loans, but would exclude amounts recoverable on leveraged loans from the U.S. government, its agencies, or government-sponsored agencies, under guarantee or insurance provisions.

**E. Loans Wholly or Partially Guaranteed by the U.S. Government—**As the first step in the calculation of the growth-adjusted portfolio concentration measure for large institutions, concentration levels are determined for each of seven loan portfolio categories:

- Construction and land development loans secured by real estate (including land loans);
- Other commercial real estate loans (including loans secured by multifamily and nonfarm nonresidential properties);

- First lien 1–4 family residential mortgages (including non-agency residential mortgage-backed securities);

- Closed-end junior lien 1–4 family residential mortgages and home equity lines of credit;

- Commercial and industrial loans;
- Credit card loans; and
- Other consumer loans.

The concentration calculations include purchased credit impaired loans, but exclude amounts recoverable from the U.S. government, including its agencies and its sponsored agencies, under guarantee or insurance provisions. In addition, for both large institutions and highly complex institutions, one of the components of the higher risk assets concentration measure is the amount of funded and unfunded construction and land development loans secured by real estate (including land loans).

The agencies separately have proposed to collect the amount of funded loans in each of these categories that is covered by loss-sharing agreements with the FDIC effective March 31, 2011.<sup>21</sup> However, the agencies do not collect data on the portion of funded and unfunded loans that are wholly or partially guaranteed or insured by the U.S. government when the guarantor or insurer is not the FDIC, nor do they collect data on the portion of unfunded construction and land development loan commitments covered by FDIC loss-sharing agreements. Therefore, the agencies are proposing to add items to the Call Report and TFR for each of the seven loan categories mentioned above in which large institutions would report the portion of the balance sheet amount of funded loans that is guaranteed or insured by the U.S. government, including its agencies and its government-sponsored agencies, other than by the FDIC under loss-sharing agreements. In addition, for the higher risk assets concentration measure, the new item for funded U.S. government-guaranteed or -insured construction and land development loans would be completed by highly complex institutions. An additional proposed new item for the portion of unfunded construction and land development loan commitments that is guaranteed or insured by the U.S. government, including by the FDIC, would be completed by large institutions and highly complex institutions.

Examples of loans to be included in the proposed new items include those

guaranteed by the Small Business Administration and insured by the Federal Housing Administration. Institutions would exclude loans guaranteed or insured by State or local governments, State or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations as well as loans collateralized by securities issued by the U.S. government, including its agencies and its government-sponsored agencies.

**F. Other Real Estate Owned Wholly or Partially Guaranteed by the U.S. Government—**

When calculating the underperforming assets ratio for large institutions and highly complex institutions, the amount of other real estate owned (ORE) that is recoverable from the U.S. government, including its agencies and its sponsored agencies, under guarantee or insurance provisions is excluded from the overall amount of ORE as reported on the balance sheet. The agencies separately have proposed to collect data on the portion of ORE that is covered by loss-sharing agreements with the FDIC effective March 31, 2011.<sup>22</sup> Institutions currently report certain other information on ORE that is protected in whole or in part by a U.S. government guarantee or insurance in the Call Report and TFR. However, the amount of ORE recoverable from the U.S. government, other than through FDIC loss-sharing agreements, cannot be determined from these existing Call Report and TFR data items. Therefore, the agencies are proposing to add an item to the Call Report and the TFR in which large institutions and highly complex institutions would report the amount of ORE that is recoverable from the U.S. government, including its agencies and its sponsored agencies, under guarantee or insurance provisions, excluding any ORE covered under FDIC loss-sharing agreements. Institutions would also exclude ORE protected under guarantee or insurance provisions by State or local governments, State or local government agencies, foreign (non-U.S.) governments, and private agencies or organizations.

**G. Core Deposit Ratio—**One item would be added to the Call Report and TFR to support the calculation of the core deposits/total liabilities ratio. Appendix A of the FDIC's final rule states that that this ratio equals "[t]otal domestic deposits excluding brokered deposits and uninsured non-brokered time deposits divided by total liabilities." Large institutions and highly complex institutions would complete a new item for the amount of their

<sup>21</sup> For the Call Report, see 76 FR 5253, January 28, 2011. For the TFR, see 76 FR 6191, February 3, 2011.

<sup>22</sup> See footnote 21.

nonbrokered time deposits of more than \$250,000. The agencies currently collect the other components of this ratio in the Call Report and the TFR.

**H. Top 20 Counterparty Exposures—** An item would be added to the Call Report for the total amount of the institution's 20 largest counterparty exposures, which would be completed only by highly complex institutions. According to Appendix A of the FDIC's final rule:

Counterparty exposure is equal to the sum of Exposure at Default (EAD) associated with derivatives trading and Securities Financing Transactions (SFTs) and the gross lending exposure (including all unfunded commitments) for each counterparty or borrower at the consolidated entity level [of the counterparty].<sup>1</sup>

<sup>1</sup> EAD and SFTs are defined and described in the compilation issued by the Basel Committee on Banking Supervision in its June 2006 document, "International Convergence of Capital Measurement and Capital Standards." The definitions are described in detail in Annex 4 of the document. Any updates to the Basel II capital treatment of counterparty credit risk would be implemented as they are adopted. <http://www.bis.org/publ/bcb128.pdf>.

**I. Largest Counterparty Exposure—** An item would be added to the Call Report for the amount of the institution's largest counterparty exposure, which would be completed only by highly complex institutions. The counterparty exposure would be measured as described above for the top 20 counterparty exposures.

**J. Items for Addition to the TFR—** As previously mentioned, certain data items used in the scorecards for large institutions are not currently reported in the TFR by savings associations, but are reported in the Call Report.

In particular, trading assets are only reported as a supplemental item on the TFR (line item SI375 in Schedule SI) and trading liabilities are not reported at all. Thus, when evaluating the composition of the balance sheet in TFR Schedule SC—Consolidated Statement of Condition, the asset and liability categories presented in the schedule combine amounts held for trading with amounts held for purposes other than trading. In contrast, the Call Report balance sheet (Schedule RC) includes separate line items for trading assets and trading liabilities, and banks that reported average trading assets of \$2 million or more in any of the four preceding calendar quarters must complete a separate trading schedule (Schedule RC–D) that provides detailed information on the composition of trading assets and liabilities.

To calculate the loss severity measure and the balance sheet liquidity ratio in

accordance with the FDIC's final rule for savings associations that are large institutions, the agencies are proposing that savings associations that are defined as large institutions or report \$10 billion or more in total assets in their June 30, 2011, or a subsequent TFR would provide data on the fair value of trading assets and liabilities included in various balance sheet asset and liability categories reported in TFR Schedule SC. Asset categories for which the amount of trading assets included in the category would be reported are:

- "Other Interest-Earning Deposits" (line item SC118);
- "Federal Funds Sold and Securities Purchased Under Agreements to Resell" (line item SC125);
- "U.S. Government, Agency, and Sponsored Enterprise Securities" (line item SC130);
- "Equity Securities Carried at Fair Value" (line item SC140);
- "State and Municipal Obligations" (line item SC180);
- "Securities Backed by Nonmortgage Loans" (line item SC182);
- "Other Investment Securities" (line item SC185);
- "Other Pass-Through" mortgage-backed securities (line item SC215);
- "Other" mortgage-backed securities (line item SC222);
- Mortgage-backed securities other than the preceding two categories (line items SC210, 217, and 219);
- "Construction Loans" (line items SC230, SC235, and SC240);
- "Revolving, Open-End Loans" on 1–4 family residential properties (line item SC251);
- Loans "Secured by First Liens" on 1–4 family residential properties (line item SC254);
- Loans "Secured by Junior Liens" on 1–4 family residential properties (line item SC255);
- Real estate loans on "Multifamily (5 or More) Dwelling Units" (line item SC256);
- Real estate loans on "Nonresidential Property (Except Land)" (line item SC260) (with loans secured by nonfarm nonresidential properties and loans secured by farmland reported separately);
- Loans secured by "Land" (line item SC265);
- "Commercial Loans" (line item SC32);
- "Credit Cards" (line item SC328);
- Other "Consumer Loans" (line items SC310, SC316, SC320, SC323, SC326, and SC330);
- "Other" equity investments not carried at fair value (line item SC540);
- "Interest-Only Strip Receivables and Certain Other Instruments" (line item SC665); and

- "Other Assets" (line item SC689).

Liability categories for which the amount of trading liabilities included in the category would be reported are:

- Federal funds purchased (line items DI630 and DI635);
- "Securities sold under agreements to repurchase" (line item DI641);
- "Mortgage Collateralized Securities Issued: CMOs (including REMICs)" (line item SC740);
- "Other Borrowings" (line item SC760); and
- "Other Liabilities and Deferred Income" (line item SC796).

Other data items the agencies are proposing to collect in the TFR from savings associations that are large institutions or report \$10 billion or more in total assets in their June 30, 2011, or a subsequent TFR include:

- Amortized cost and fair value of "U.S. Government, Agency, and Sponsored Enterprise Securities" (line item SC130), with these two amounts reported separately for held-to-maturity and available-for-sale securities;
- Real estate loans secured by farmland (not held for trading) included in loans secured by "Nonresidential Property" (line item SC260);
- Loans to finance agricultural production and other loans to farmers (not held for trading) included in "Secured" and "Unsecured" commercial loans (line items SC300 and SC303);
- "Advances from Federal Home Loan Bank" with a remaining maturity of one year or less (included in line item SC720);
- "Mortgage Collateralized Securities Issued: CMOs (including REMICs)" with a remaining maturity of one year or less (included in line item SC740);
- "Other Borrowings" with a remaining maturity of one year or less (included in line item SC760);
- Commitments to fund commercial real estate, construction, and land development loans secured by real estate (included in line items CC105, CC290, and CC300), with amounts reported separately for (1) 1–4 family residential construction loan commitments and (2) commercial real estate, other construction loan, and land development loan commitments; and
- Deposits in foreign offices, Edge and Agreements subsidiaries, and International Banking Facilities (included in line item SC71).

As mentioned above, these proposed changes to the TFR would revise the reporting requirements for savings associations that are large institutions by adding data items for information not currently collected in the TFR that banks already report in the Call Report. This proposal is consistent with the

agencies' separate proposal to require all savings associations currently filing the TFR to convert to filing the Call Report beginning with the reporting period ending on March 31, 2012.<sup>23</sup> As stated in the agencies' TFR-to-Call Report conversion proposal, "[t]o help reduce the burden with converting reports, the [conversion] proposal would: 1. Curtail all proposed changes to the TFR for 2011 that would increase the differences between the TFR and the Call Report."<sup>24</sup> Although the proposed changes to the TFR discussed above in this section J of the notice are intended to achieve consistency with the Call Report for savings associations that are large institutions, adding these new data items to the TFR in June 2011 has the effect of partially accelerating the conversion to the Call Report by large savings associations. This June 2011 effective date is three quarters sooner than the large savings associations would otherwise be required to report

this information in the Call Report upon their proposed conversion from the TFR in March 2012.

#### 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: March 7, 2011.

**Michele Meyer,**

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

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC, this 10th day of March, 2011.

Federal Deposit Insurance Corporation.

**Robert E. Feldman,**

*Executive Secretary.*

Dated: March 10, 2011.

**Ira L. Mills,**

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

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<sup>23</sup> 76 FR 7082, February 8, 2011.

<sup>24</sup> 76 FR 7085, February 8, 2011.