

The Bryn Mawr Trust Company

January 18, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

RE: Consolidated Reports of Condition and Income (FFIEC 041)
OMB Number: 7100-0036

Dear Ms. Johnson:

The Bryn Mawr Trust Company appreciates the opportunity to comment on the proposed new data items that would be added to the Call Report as of June 30, 2012. We support the Board's objective to better understand institutions' lending activities and credit risk, as well as its ability to assess credit availability as a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system. However, we are concerned with the compliance burden of the proposed new schedules RI-C (Disaggregated Data on the Allowance for Loan and Lease Losses) and RC-U (Loan Origination Activity) in regards to implementation time, resources and expense.

The \$1 billion threshold for certain Call Reporting requirements was established many years ago and was not indexed for inflation. In today's dollars a \$1 billion asset bank is more reflective of small community banks that do not have the same economies of scale as larger regional banks, especially when it comes to spending for staffing and technology. We believe that the \$1 billion threshold is no longer a credible indicator of large banks or of risk levels to the banking industry as a whole.

At this time we do not have hard dollar cost estimates of the cost and time it would take to prepare this data, but management is in agreement that the information required for proposed schedules RI-C and RC-U currently does not exist and would be quite onerous and costly to prepare. The Bryn Mawr Trust Company estimates a significant amount of manual data gathering until data systems can be modified, built, or purchased. And although new schedule RI-C is similar with what is disclosed in the Securities and Exchange Commission's quarterly 10Q report, the 10Q Allowance for Loan Losses is segmented based on intent and purpose rather than the Call Report collateral definitions. For example, a commercial loan secured by a 1 to 4 family residential property is still a commercial loan for bank and SEC quarterly reporting purposes, but must be classified differently for regulatory reporting purposes.

The Bryn Mawr Trust Company offers the following recommendations for the June 30, 2012 implementation of proposed new Call Report schedules RI-C and RC-U:

- 1) We would like to see the banking regulatory agencies raise the reporting threshold on its \$1 billion Call Report reporting classification to \$5 or \$10 billion in assets. We believe this change will bring much needed reporting relief when it comes to the sections of the Call Report dependent upon this threshold.
- 2) We recommend a longer lead time for implementing new schedules RI-C and RC-U by a total of twelve months, with the first reporting period for these schedules being December 31, 2012 instead of June 30, 2012.
- 3) With the ever increasing size and complexity of the Call Report we would like the Board to consider extending the submission date beyond the 30 days from the report date to coincide with SEC 10Q requirements, which for a \$1.7 billion bank with a market capitalization of \$240 million, is 40 days. Our recommendation is to allow an additional 10 days onto the current 30 day deadline. This would be especially helpful at calendar year end when reporting December 31 data. Additionally, we believe it would reduce the number of Call Report and FRY9 revision submissions.
- 4) Congress recently considered raising the exemption level of Section 404(b) of the Sarbanes Oxley Act ("SOX") to exclude companies with a market cap of \$350 million as shown on Exhibit A. A \$350 million market cap bank at an 8.00% capital ratio equates to a \$4.375 billion bank. If this proposed legislation had been made law, one would think that smaller financial institutions could save money by not having to comply with 404(b) of SOX. This would not be in fact true, as the internal control requirements under FDICIA are set at \$1 billion. There should be congruence among the regulations for SOX, FDICIA, Call Reports and FRY9's. Therefore, we also recommend that the internal control provisions of FDICIA be raised to the \$4 to \$5 billion level, so that real regulatory relief can become a reality.

We greatly appreciate your consideration of our comments and would welcome further discussion of them at your convenience. Please direct any questions to the undersigned.

Sincerely yours,



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JDS/jem

Enclosures

CC: Frederick C. Peters II, Chairman, President & CEO (via email w/enc.)

EXHIBIT A

Section 404(b) of Sarbanes-Oxley Act of 2002

The Sarbanes Oxley Act requires that the management of public companies assess the effectiveness of the internal control of issuers for financial reporting. Section 404(b) requires a publicly-held company's auditor to attest to, and report on, management's assessment of its internal controls.

The AICPA consistently urged implementation of Section 404(b) for all publicly held companies. Section 404(b) has led to improved financial reporting and greater transparency. The AICPA believes that all investors in public companies should have equal benefit of the same protections. Some small companies have argued that the regulatory cost and burden of having the assessment outweighs the benefit to investors.

During consideration of the bills that became the Dodd-Frank Wall Street Reform and Consumer Protection Act there were several amendments offered that would have exempted a large number of public companies from section 404(b). Ultimately, there was an exemption enacted for non-accelerated filers (companies with less than \$75 million in public float). These smaller issuers were never required by the SEC to comply with section 404(b) since enactment of Sarbanes-Oxley Act.

There were also 2 studies required by Dodd-Frank. The first required the SEC to conduct a study on the burden caused by section 404(b) compliance for companies with a market capitalization between \$75 million and \$250 million. The SEC study recommended maintaining existing investor protections of Section 404(b) for companies with market capitalization above \$75 million and encouraged activities that have potential to further improve both the effectiveness and efficiency of Section 404(b) implementation.

Dodd-Frank also required the GAO to conduct a study to evaluate whether exempt issuers have fewer or more restatements, and how their cost of capital compares with issuers subject to section 404(b). The study is due by July 2013.

There are continuing attempts to increase the exemption level for companies subject to section 404(b). The Small Company Job Growth and Regulatory Relief Act of 2011, H.R. 3213, expands the Dodd-Frank exemption to all companies with a market capitalization of up to \$350 million. Although the bill was favorably voted out of the Subcommittee on Capital Markets on October 5, 2011, it appears that it may be significantly modified before it is considered by the full House Financial Services Committee. Other bills with various expanded exemptions have also been introduced in the Senate and in the House in 2011. The AICPA continues to fight all such efforts to reduce investor protections.



FIL-72-2011
December 7, 2011

BANK REPORTS

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Proposed Revisions to Consolidated Reports of Condition and Income (Call Report) for 2012

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board (Board), and the Office of the Comptroller of the Currency (OCC) are requesting comment on proposed revisions to the Call Report that would take effect in 2012. The agencies encourage you to review the proposal, which has been approved by the Federal Financial Institutions Examination Council (FFIEC), and comment on those aspects of interest to you. You may send comments to any or all of the agencies by the methods described in the attached *Federal Register* notice. All comments must be submitted by January 20, 2012. The FFIEC and the agencies will review and consider all comments as they finalize the revisions to the Call Report.

The revisions are intended to provide data to meet safety-and-soundness needs or for other public purposes. The proposed new data items would be added to the Call Report as of the June 30, 2012, report date, except for two proposed revisions that would take effect March 31, 2012, in connection with the initial filing of Call Reports by savings associations. The proposed new data items, which are focused primarily on institutions with \$1 billion or more in total assets, would help the agencies better understand institutions' lending activities and credit risk exposures. The agencies also are proposing certain revisions to the Call Report instructions that would take effect March 31, 2012. The proposed reporting changes include:

- A new Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, in which institutions with total assets of \$1 billion or more would report a breakdown by key loan category of the end-of-period allowance for loan and lease losses (ALLL) disaggregated by impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance;
- A new Schedule RC-U, Loan Origination Activity, in which institutions with total assets of \$300 million or more would report, separately for several loan categories, the quarter-end balance sheet amount of loans reported in Schedule RC-C, Loans and Lease Financing Receivables, that were originated during the quarter, and institutions with total assets of \$1 billion or more would also report for these loan categories the portions of the quarter-end amount of loans originated during the quarter that were (a) originated under a newly established loan commitment and (b) not originated under a loan commitment;
- New Memorandum items in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, for the total outstanding balance and related carrying amount of purchased credit-impaired

loans that are past due 30 through 89 days and still accruing, past due 90 days or more and still accruing, and in nonaccrual status;

- New items in Schedule RC-P, 1-4 Family Residential Mortgage Banking Activities, in which institutions with \$1 billion or more in total assets and smaller institutions with significant mortgage banking activities would report the amount of representation and warranty reserves for 1-4 family residential mortgage loans sold (in domestic offices), with separate disclosure of reserves for representations and warranties made to U.S. government and government-sponsored agencies and to other parties;
- New items in Schedule RC-M, Memoranda, in which savings associations and certain state savings and cooperative banks would report on the test they use to determine compliance with the Qualified Thrift Lender requirement and whether they have remained in compliance with this requirement;
- Revisions to two existing items in Schedule RC-R, Regulatory Capital, used to calculate the leverage ratio denominator to accommodate certain differences between the regulatory capital standards that apply to the leverage capital ratios of banks versus savings associations; and
- Instructional revisions addressing:
 - The discontinued use of specific valuation allowances by savings associations when they begin to file the Call Report instead of the TFR beginning in March 2012;
 - The reporting of the number of deposit accounts of \$250,000 or less in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, by institutions that have issued certain brokered deposits; and
 - The accounting and reporting treatment for capital contributions in the form of cash or notes receivable.

To help you understand the proposed changes to the Call Report, drafts of the March and June 2012 report forms should be available on the FFIEC's Web site (www.ffiec.gov/ffiec_report_forms.htm) later today. Draft instructions for the proposed reporting changes will be posted on the FFIEC's Web site later in December.

Please forward this letter to the person responsible for preparing Call Reports at your institution. For further information about the proposed reporting revisions, state member banks should contact their Federal Reserve District Bank. National banks, savings associations, and FDIC-supervised banks should contact the FDIC's Data Collection and Analysis Section in Washington, D.C., by telephone at (800) 688-FDIC (3342) or by e-mail at insurance-research@fdic.gov.

Judith E. Dupre
Executive Secretary

Attachment

Distribution: FDIC-Supervised Banks and Savings Institutions, National Institutions, State Member Institutions, and Savings Associations