American Bankers Association
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202-663-5318

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Submitted Electronically
Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
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Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW., Washington, DC 20551

Mr. Manual E. Cabeza
Counsel
Attention: Comments Room MB-3007
Federal Deposit Insurance Corporation, 5
50 17th Street NW., Washington, DC 20429

Re: CECL and EGRRCPA Reporting Revisions

Ladies and Gentlemen:

The American Bankers Association (ABA)[1] appreciates the opportunity to comment on the Federal Financial Institutions Examination Council's (FFIEC) Notice of Proposed Rulemaking (the Proposal) to modify FFIEC Forms 031, 041, and 051, commonly referred to as the Consolidated Reports of Condition and Income (the Call Report). The Call Report provides data on individual banks, allows for trend analysis of bank condition and trend information about the overall banking industry, and serves as the basis for other reporting and policy analysis. Additionally, the data provided in the Call Reports serve as a foundation for other required regulatory reporting. The Proposal would make revisions to address the change in accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and revisions resulting from the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

With respect to the specific changes articulated in the proposal, as discussed more fully below, we have identified five items that may benefit from additional clarification, that appear inconsistent with other items, or we believe are minor errors.

Item 1: Page 49166 - As noted previously, ASU 2016–13 broadens the scope of financial assets for which allowances for credit losses must be estimated. CECL is applicable to all financial instruments measured at amortized cost (including loans held for investment and HTM debt securities, as well as trade and reinsurance receivables and receivables that relate to <u>repurchase agreements and securities lending agreements</u>). Regarding the underlined, to reflect an asset, receivables would relate to reverse repurchase agreements and securities borrowing agreements.

[1] The American Bankers Association is the voice of the nation's $17 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $13 trillion in deposits and extend more than $10 trillion in loans.

Item 2: From the red-lined call report, RC-F – Other assets item 1, footnote 2, Include accrued interest receivable on loans, leases, debt securities, and other interest-bearing assets. Exclude accrued interest *receivables that are reported elsewhere on the balance sheet as part of a financial asset's* amortized cost. It is not clear if this means that the reporter has a choice between reporting accrued interest receivable as part of the financial asset's amortized cost and reporting it on this Line on Schedule RC-F. Secondly, it is not clear if this is proposing a distinction in the treatment of interest accrued on assets at amortized cost versus those held for sale or under the fair value option.

Item 3 - Page 49171- Schedule RC-R (FFIEC-031, FFIEC 041, and FFIEC 051)
The agencies propose to add a new Memorandum item 4 to Schedule RC-R, Part II, which would collect data by asset category on the "Amount of allowances for credit losses on purchased credit-deteriorated assets." Regarding this new Memorandum item, we believe that it would fit better under Schedule RI-C – Part II. Disaggregated Data on the Allowance for Credit Losses.

Item 4 – Page 49162, please replace the sentence in the 1st paragraph "As a result, as of the acquisition date, the amortized cost basis of a PCD financial asset is equal to the principal balance of the asset less the non-credit discount, rather than equal to the purchase price as is currently recorded for PCI loans" with "The amortized cost basis of the PCD asset is the asset's purchase price plus the expected credit loss at the purchase date. However, the carrying value of the PCD asset is always net of the allowance which at the acquisition date would reflect the purchase price".

Item 5 – After the adoption of the CECL, the concept of OTTI will no longer be relevant. The write down of inventory will be replaced by allowance for credit losses. Currently, part of the OTTI taken was caused by interest rate movement instead of credit event. Will the losses caused by interest rate movement (former OTTI) be considered credit losses after the adoption of ASU 2016-13?

Item 6 – From the red-lined call report, RC-R – Regulatory Capital Part II. Risk-Weighted Assets line 5, footnote 2, Institutions that have adopted ASU 2016-13 should report as a negative number the PCD allowances in item 5.a through 5.d, column B. For PCD assets, both the balance sheet amount (Column A) and the amounts in risk-weighted assets (columns C-R) are reported net of the PCD allowance. Subtracting PCD allowance amount in column B will cause column A to not equal the sums of columns B through R.

Item 7 – From the red-lined call report, RC-R – Regulatory Capital Part II. Risk-Weighted Assets lines 2a 3b, 8, & 9a, footnote 3 [9a: footnote 2], Institutions that have adopted ASU 2016-13 should report as a negative number the allowances includable in tier 2 capital in Column B. These assets are already reported net of allowance for both the balance sheet amount (Column A) and the amounts in risk-weighted assets (columns C-R) are reported net of the allowance as per Basel III rule[2]. Subtracting the allowance amount in column B will cause column A to not equal the sums of columns B through R.

Thank you for your attention to these matters and for considering our views. If you have any questions about these comments, please contact me at (202) 663-5318 or through email at jstein@aba.com.

Sincerely,

Joshua Stein

[2] Federal Register /Vol. 78, No. 198 / Friday, October 11, 2013 /Rules and Regulations 62163