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January 18, 2019

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E-218
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. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Reduced Reporting for Covered Depository Institutions

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the proposed rule Reduced Reporting for Covered Depository Institutions. This rule is being promulgated pursuant to section 205 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), which directs the federal banking agencies to issue regulations allowing covered depository institutions to complete a short-form call report in the first and third quarters of each filing year. Covered depository institutions are those with total consolidated assets of less than $5 billion.

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

Rather than introduce a new short-form call report for these covered depository institutions, the federal banking agencies have issued a proposed rule that makes limited and targeted reductions to an existing report. This proposal provides no tangible relief for community bank call reporting and does not meet the objective of the legislation signed into law. **ICBA requests that the federal banking agencies rescind this proposal and immediately propose a regulation that introduces a new short-form call report for covered depository institutions as required by law. The short-form call report should be completed in the first and third quarters and consist of an institution's balance sheet, income statement, and statement of changes in shareholders' equity.**

The Proposal

EGRRCPA directs the banking regulators to establish a new short-form call report for community banks with total consolidated assets of less than $5 billion. The new short-form report is to be filed in the first and third quarters of each filing year. The banking agencies have responded to the rule of law by proposing to expand the number of institutions that are eligible to file the 051 Call Report, a reporting form currently limited to community banks with total consolidated assets of less than $1 billion.

Under the proposal, institutions that have less than $5 billion in total consolidated assets, have no foreign offices, are not subject to the agencies' advanced approaches risk-based capital measurement requirement, and are not deemed large or highly complex under the FDIC's assessment regulations are eligible to file the 051 Call Report. Banks that utilize the 051 Call Report would report fewer items in the first and third quarters. Reporting reductions in those quarters are generally centered around fiduciary and related services and troubled debt restructurings. The federal banking agencies are also proposing to add back certain reporting items in the 051 Call Report for covered depository institutions with total consolidated assets greater than $1 billion but less than $5 billion. Those reporting items include consumer-related deposit account activities such as service charges and total deposits held in accounts intended primarily for individuals for personal, household, or family use.

ICBA's Comments

ICBA is very disappointed that the federal banking agencies have failed to meet the Congressionally-mandated requirement to establish a short-form call report for community banks. The proposal produced by the federal banking agencies, while perhaps valid as qualifying as a "reduced reporting requirement" to a small subset of community banks, comes nowhere close to implementing what Congress intended when it passed this very important legislation. Congress passed this legislation to provide tangible and meaningful reporting relief for community banks. The reporting relief was intended to reduce community bank reporting in a material way so that these institutions could limit the amount of time spent on government reporting and reallocate resources to serving their communities. Instead, the agencies have

chosen to minimize the number of data elements that are eliminated and at the same time claim that they are complying with the "reduced reporting requirement" mandate under the statute.

In the agencies' own assessment of the impact of the proposed rule, for the vast number of community banks—those with assets of less than $1 billion—the reporting burden would only go down an average of 1.18 hours per quarter. For banks with assets between $1 billion and $5 billion, the proposal would only save on average 12.18 hours per quarter. The agencies claim that in each case, the total number of hours that it currently takes to prepare the Call Report is 52.31 hours for banks with assets less than $1 billion and 64.49 hours for banks with assets of between $1 billion and $5 billion. ICBA questions why such small reductions in reporting burden would be considered sufficient to meet the short-form reporting requirement.

ICBA has a long history of calling for a short-form call report for the first and third quarters, but the agencies have only responded with insignificant modifications to the reporting requirements. When the federal banking agencies proposed the 051 Call Report in 2016, we notified the agencies that the proposed changes would not achieve meaningful call report relief. In further revisions to call reporting throughout 2017, ICBA continued to call for serious reporting burden relief. In all cases ICBA referenced the short-form call report as the only viable alternative to achieving true reduction in the reporting burden.

In the current proposal, the agencies have chosen to isolate both troubled debt restructurings and fiduciary services as topical areas for reduced reporting requirements. ICBA notes that reduction in these two areas of reporting have little to no benefit for community banks. Troubled debt restructurings generally only appear on bank balance sheets during times of economic stress. Therefore, the reporting requirements surrounding troubled debt restructurings currently only become applicable on an infrequent basis. Also, under the current expected credit loss model, the current accounting for troubled debt restructurings would be altered to conform to expected loss accounting, thus removing troubled debt restructuring accounting as it is reported today.

Fiduciary and related services are offered by a limited number of community banks, making the removal of these reporting items of limited use in easing regulatory burden. The proposal also calls for small reductions in other reporting categories where most community banks have scant, if any, activities such as derivatives, standby letters of credit, securitization exposures, and repo-style transactions. For example, of the current community banks that file the 051 Call Report, only 4% report any on-balance sheet securitization exposures, only 4% report over-the-counter or centrally cleared derivatives, and only 10% report repo-style transactions. In addition, less than 20% of these filers report fiduciary and related assets.

ICBA notes that the proposal calls for the removal of various items from Schedule RC-R, which is used to support the calculation of risk-based regulatory capital. With the passage of EGRRCPA, and once regulations are implemented, community banks will be able to eliminate the calculation of risk-based capital if they choose to adopt the community bank leverage ratio

(CBLR) as their capital adequacy metric. Once community banks have the option of adopting a leverage ratio, the reporting items under Schedule RC-R will disappear. The proposed changes to Schedule RC-R will be meaningless to those banks that opt-in to the CBLR standard.

Regulators also have failed to show a compelling need for so much community bank reporting data on a quarterly basis. Community banks are well capitalized, responsible lenders that operate in their local communities to provide crucial banking services to individuals, families, municipalities, and small businesses. These institutions have a solid track record of maintaining noncomplex balance sheets, instituting conservative lending practices, and leaning on in-depth background knowledge of the borrower, the credit, and all other factors that make a loan viable as a core bank asset. In addition, these banks pose no risk to the global financial system and, when combined together, are a fraction of the safety and soundness exposure borne by the largest financial institutions in the country. So why do regulators constantly desire to collect so many data points each and every quarter about institutions that are best suited to operate under practical regulations and basic supervision? What risks would be suddenly present if regulators relied on key financial statements in two of the four quarters to gauge bank health in the same manner that the bank's own investors gauge the bank's financial condition?

Community bankers continue to share their banks' difficulties with completing the call report in a reasonable timeframe without incurring a great deal of expense while draining valuable and limited bank resources. Regulator efforts thus far, including this proposal, are nowhere near the level of reporting relief needed to return bank resources back to serving their customers. Additionally, the proposed requirement to report consumer-related service charges, maintenance charges, and automated teller machine fees does not belong in any call report simply because it has limited safety and soundness purpose. Reporting items that provide prudential bank regulators little insight into the financial health of the institution or the institution's risk to the deposit insurance fund is not needed each quarter on the call report.

ICBA continues to support a straightforward, commonsense solution to the problem of exhaustive call reports. Community banks should report a balance sheet, income statement, and statement of changes in shareholders' equity in the first and third quarters with a full call report at mid-year and year end. This level of reporting would ensure that regulators have the most relevant data needed to determine the safety and soundness characteristics key to maintaining a strong operating position. This level of reporting also ensures that community banks can return resources to focusing on serving their communities.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 659-8111.

Sincerely,

/s/

James Kendrick
First Vice President, Accounting and Capital Policy