Supporting Statement for the
Consolidated Reports of Condition and Income
(FFIEC 031 and FFIEC 041; OMB No. 7100-0036)

Summary

The Board of Governors of the Federal Reserve System requests approval from the Office of Management and Budget (OMB) to extend, with revision, the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 and FFIEC 041; OMB No. 7100-0036). These data are required of state member banks and are filed on a quarterly basis. The revisions to the Call Reports that are the subject of this request have been approved by the FFIEC. The Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) have also submitted a similar request for OMB review to request this information from banks under their supervision.

The Federal Reserve requires information collected on the Call Reports to fulfill its statutory obligation to supervise state member banks. State member banks are required to file both detailed schedules of assets, liabilities, and capital accounts in the form of a condition report and summary statement as well as detailed schedules of operating income and expense, sources and disposition of income, and changes in equity capital.

The Federal Reserve, the FDIC, and the OCC (the "agencies") propose to revise for the March 31, 2015, report date (1) the risk-weighted assets portion of Schedule RC-R, Regulatory Capital, and (2) the line items related to securities lent and borrowed in Schedule RC-L, Derivatives and Off-Balance Sheet Items. The current annual burden for the Call Reports is estimated to be 195,415 hours and the proposed revisions are estimated to increase the annual burden by 6,700 hours.

Background and Justification

Banks that are members of the Federal Reserve System are required by law to file reports of condition with the Federal Reserve System. Section 9(6) of the Federal Reserve Act (12 U.S.C. § 324) states:

> ... banks ... shall be required to make reports of condition and of the payment of dividends to the Federal Reserve Bank of which they become a member. Not less than three of such reports shall be made annually on call of the Federal Reserve Bank on dates to be fixed by the Board of Governors of the Federal Reserve System. ...Such reports of condition shall be in such form and shall contain such information as the Board of Governors of the Federal Reserve System may require and shall be published by the reporting banks in such manner and in accordance with such regulations as the said Board may prescribe.

In discharging this statutory responsibility, the Board of Governors, acting in concert with the other federal banking supervisory agencies since 1979 through the FFIEC, requires banks to submit on the quarterly Reports of Condition and Income such financial data as are needed by the Federal Reserve System to: (1) supervise and regulate banks through monitoring of their financial condition, ensuring the continued safety of the public's monies and the overall soundness of the nation's financial structure, and (2) contribute information needed for background for the proper discharge of the Federal Reserve's monetary policy responsibilities. The use of the data is not limited to the federal government, but extends to state and local governments, the banking industry, securities analysts, and the academic community.

Description of Information Collection

The Call Reports collect basic financial data from commercial banks in the form of a balance sheet, income statement, and supporting schedules. The Report of Condition contains supporting schedules that provide detail on assets, liabilities, and capital accounts. The Report of Income contains supporting schedules that provide detail on income and expenses.

Within the Call Report information collection system as a whole, there are two reporting forms that apply to different categories of banks: (1) all banks that have domestic and foreign offices (FFIEC 031), and (2) banks with domestic offices only (FFIEC 041). Prior to March 2001, there were four categories of banks and four reporting forms. The FFIEC 031 was filed by banks with domestic and foreign offices and the FFIEC 032, FFIEC 033, and FFIEC 034 were filed by banks with domestic offices only and were filed according to the asset size of the bank.

There is no other series of reporting forms that collect from all commercial and savings banks the information gathered through the Reports of Condition and Income. There are other information collections that tend to duplicate certain parts of the Call Reports; however, the information they provide would be of limited value as a replacement for the Call Reports. For example, the Federal Reserve collects various data in connection with its measurement of monetary aggregates, of bank credit, and of flow of funds. Reporting banks supply the Federal Reserve with detailed information relating to such balance sheet accounts as balances due from depository institutions, loans, and deposit liabilities. The Federal Reserve also collects financial data from bank holding companies on a regular basis. Such data are presented for the holding company on a consolidated basis, including its banking and nonbanking subsidiaries, and on a parent company only basis.

However, Federal Reserve reporting forms from banks are frequently obtained on a sample basis rather than from all insured banks. Moreover, these reporting forms are often prepared as of dates other than the last business day of each quarter, which would seriously limit their comparability. Institutions below a certain size are exempt entirely from some Federal Reserve reporting requirements. Data collected from bank holding companies on a consolidated basis reflect an aggregate amount for all subsidiaries within the organization, including banking and nonbanking subsidiaries, so that the actual dollar amounts applicable to any bank subsidiary are not determinable from the holding company reporting forms. Hence, these reporting forms could not be a viable replacement for even a significant portion of the Call Reports since the Federal Reserve, in its role as supervisor of insured state member banks, would be lacking the data necessary to assess the financial condition of individual insured banks to determine whether there had been any deterioration in their condition.

Beginning March 1998, all banks were required to transmit their Call Report data electronically. Banks do not have to submit hard copy Call Reports to any federal bank supervisory agency unless specifically requested to do so.

Proposed Revisions

The agencies propose to revise for the March 31, 2015, report date (1) the risk-weighted assets portion of Schedule RC-R and (2) line items related to securities lent and borrowed in Schedule RC-L. Institutions may provide reasonable estimates for any new or revised Call Report items initially required to be reported as of that date for which the requested information is not readily available.

Schedule RC-R, Part II

The agencies propose to revise the reporting requirements for the risk-weighted assets portion of Call Report Schedule RC-R, Regulatory Capital, by incorporating the standardized approach, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed risk-weighted assets portion of Schedule RC-R would provide a more detailed breakdown of on-balance sheet asset and off-balance sheet item categories, remove the ratings-based approach from the calculation of risk-weighted assets, reflect reporting of alternative risk-weighting approaches not reliant on credit ratings, and include an expanded number of risk-weight categories, consistent with the revised regulatory capital rules. Schedule RC-R, Part II, Risk-Weighted Assets, would be divided into the following sections (1) on-balance sheet asset categories and securitization exposures, (2) derivatives and off-balance sheet items, (3) totals, and (4) memoranda items for derivatives. A brief description of each of these sections and the corresponding line items in Schedule RC-R, Part II, are provided below.

Schedule RC-R, Part II, Balance Sheet Asset Categories and Securitization Exposures, items 1-11

Proposed data items 1 through 8 reflect on-balance sheet asset categories (excluding those assets within each category that meet the definition of a securitization exposure), similar to the asset categories included in the current version of Schedule RC-R, but the proposed items would capture greater reporting detail. The number of risk-weight categories to which the individual assets in each asset category would be allocated would be expanded consistent with the revised regulatory capital rules. On-balance sheet assets and off-balance sheet items that meet the definition of a securitization exposure would be reported in items 9 and 10, respectively.

Subject to the separate reporting of securitization exposures from the related on-balance sheet asset category, total on-balance sheet assets are equal to the sum of item 1, cash and balances due from depository institutions; securities which are composed of item 2.a, held-to-maturity (HTM) securities and item 2.b, available-for-sale (AFS) securities; item 3.a, federal funds sold and item 3.b, securities purchased under agreements to resell; loans and leases held for sale, which are composed of item 4.a, residential mortgage exposures, item 4.b, high volatility commercial real estate (HVCRE) exposures, item 4.c, exposures past due 90 days or more or on nonaccrual, and item 4.d, all other exposures; loans and leases, net of unearned income, which are composed of item 5.a, residential mortgage exposures, item 5.b, HVCRE exposures, item 5.c, exposures past due 90 days or more or on nonaccrual, and item 5.d, all other exposures; less item 6, allowance for loan and lease losses; item 7, trading assets; item 8, all other assets; and on-balance sheet securitization exposures, which are composed of item 9.a, HTM securities, item 9.b, AFS securities, item 9.c, trading assets, and item 9.d, all other on-balance sheet securitization exposures. As mentioned above, off-balance sheet securitization exposures would be reported in item 10. Item 11 would collect total information on the institution's on-balance sheet asset categories and on-balance sheet securitization exposures, including for each risk-weight category, calculated as the sum of items 1 through 9.

Schedule RC-R, Part II, Derivatives, Off-Balance Sheet Items, and Other Items Subject to Risk Weighting, items 12-22

Proposed data items 12 through 22 pertain to the reporting of derivatives, off-balance sheet items, and other items subject to risk weighting, excluding those that meet the definition of a securitization exposure (which are reported in item 10 as discussed above).

Derivatives, off-balance sheet items, and other items subject to risk weighting consist of item 12, financial standby letters of credit; item 13, performance standby letters of credit and transaction-related contingent items; item 14, commercial and similar letters of credit with an original maturity of one year or less; item 15, retained recourse on small business obligations sold with recourse; item 16, repo-style transactions, which includes securities purchased under agreements to resell (reverse repos), securities sold under agreements to repurchase (repos), securities borrowed, and securities lent; item 17, all other off-balance sheet liabilities; unused commitments, which is composed of item 18.a, the unused portion of commitments with an original maturity of one year or less, excluding asset-backed commercial paper (ABCP) conduits, item 18.b, the unused portion of eligible ABCP liquidity facilities with an original maturity of one year or less, and item 18.c, the unused portion of commitments with an original maturity exceeding one year; item 19, unconditionally cancelable commitments; item 20, over-the-counter derivative; item 21, centrally cleared derivative contracts; and item 22, unsettled transactions (failed trades).

Schedule RC-R, Part II, Totals, items 23-31

Proposed data items 23 through 31 apply the risk-weight factors to the exposure amounts reported for assets, derivatives, off-balance sheet items, and other items subject to risk weighting in items 11 through 22 and then calculate an institution's total risk-weighted assets.

Item 25 would collect information on an institution's risk-weighted assets by risk-weight category. For each column, this is equal to the product of the amount reported item 23 for total assets, derivatives, and off-balance sheet items by risk weight-category, multiplied by item 24, the applicable risk-weight factor. Item 26 would collect an institution's measurement of risk-weighted assets for purposes of calculating the institution's 1.25 percent of risk-weighted assets limit on the allowance for loan and lease losses. Item 27 would collect an institution's standardized market risk-weighted assets, if applicable.

Item 31 would collect an institution's total risk-weighted assets, calculated as item 28, risk-weighted assets before deductions for excess allowance of loan and lease losses and allocated transfer risk reserve, less item 29, excess allowance for loan and lease losses, and less item 30, allocated transfer risk reserve.

Schedule RC-R, Part II, Derivatives, Memorandum items 1-3

In proposed memorandum items 1 through 3, an institution would report the current credit exposure and notional principal amounts of its derivative contracts.

Memorandum item 1 would continue collect the institution's total current credit exposure amount for all interest rate, foreign exchange rate, gold, credit, equity, precious metals (except gold), and other derivative contracts covered by the regulatory capital rules after considering applicable legally enforceable bilateral netting agreements.

Memorandum items 2 and 3, respectively, would collect, by remaining maturity and type of contract, the notional principal amounts of the institution's over-the-counter and centrally cleared derivative contracts subject to the revised regulatory capital rules. Data on interest rate, foreign exchange rate and gold, credit (investment grade reference assets), credit (non-investment grade reference assets), equity, precious metals (except gold), and other derivative contracts would be reported separately. At present, institutions report these notional principal amounts and remaining maturities, but without distinguishing between over-the-counter and centrally cleared derivatives. In addition, foreign exchange rate contracts and gold contracts would be combined in Memorandum items 2 and 3, whereas each of these two types of contracts currently is reported separately in Memorandum item 2.

Schedule RC-L

Call Report Schedule RC-L collects regulatory data on derivatives and off-balance sheet items. The agencies propose to revise the reporting requirements for off-balance sheet exposures related to securities lent and borrowed, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed changes to Schedule RC-L would require all institutions to report the amount of securities borrowed. At present, institutions include the amount of securities borrowed in the total amount of all other off-balance sheet liabilities reported in item 9 of Schedule RC-L if the amount of securities borrowed is more than 10 percent of total bank equity capital and they disclose the amount of securities borrowed if that amount is more than 25 percent of total bank equity capital. In addition, the proposed changes to Schedule RC-L would place the line item for securities borrowed in a new item 6.b immediately after the line item for securities lent, which would be renumbered from item 6 to item 6.a.

Time Schedule for Information Collection

The Call Reports are collected quarterly as of the end of the last calendar day of March, June, September, and December. Less frequent collection of Call Reports would reduce the Federal Reserve's ability to identify on a timely basis those banks that are experiencing adverse changes in their condition so that appropriate corrective measures can be implemented to restore their safety and soundness. State member banks must submit the Call Reports to the appropriate Federal Reserve Bank within 30 calendar days following the as-of date; a five-day extension is given to banks with more than one foreign office.

Aggregate data are published in the *Federal Reserve Bulletin* and the *Annual Statistical Digest*. Additionally, data are used in the *Uniform Bank Performance Report (UBPR)* and the *Annual Report of the FFIEC*. Individual respondent data, excluding confidential information, are available to the public from the National Technical Information Service in Springfield, Virginia, upon request approximately twelve weeks after the report date. Data are also available from the FFIEC Central Data Repository Public Data Distribution (CDR PDD) website (https://cdr.ffiec.gov/public/). Data for the current quarter are made available, shortly after a bank's submission, beginning the first calendar day after the report date. Updated or revised data may replace data already posted at any time thereafter.

Legal Status

The Board's Legal Division has determined that Section 9 of the Federal Reserve Act (12 U.S.C. § 324) authorizes the Federal Reserve to require these reports from all state member banks. The Board's Legal Division has determined that the following data items are confidential: (1) the FDIC deposit insurance assessment information reported in response to item 2.g on Schedule RI-E, (2) the prepaid deposit insurance assessments information reported in response to item 6.f on schedule RC-F, and (3) the information regarding other data for deposit insurance and FICO assessments reported in respond to memorandum items 6-9 and 14-15 on schedule RC-O. This information can be exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. §§ 552 (b)(4) and (8)) for periods beginning June 30, 2009. The Board's Legal Division also determined that the individual respondent information contained in the trust schedule, RC-T are exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. §§ 552(b)(4) and (8)) for periods prior to March 31, 2009. Finally, Column A and memorandum item 1 to Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets are exempt from disclosure pursuant to the Freedom of Information Act (5 U.S.C. §§ 552(b)(4) and (8)) for periods prior to March 31, 2001.

Consultation Outside the Agency and Discussion of Public Comments

On June 23, 2014, the agencies, under the auspices of the FFIEC, published an initial notice in the *Federal Register* (79 FR 35634) requesting public comment for 60 days on the extension, with revision, of the Call Reports. The comment period for this notice expired on August 22, 2014. The agencies collectively received comments on the proposal from three entities (one banking organization, one consulting firm, and one U.S. government agency). In addition, the Board received comments from three entities (two banking organizations and one bankers' association) on proposed revisions to the reporting of risk-weighted assets in Schedule HC-R of the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128). In this instance, the agencies considered the comments on the proposed revisions to the FR Y-9C because they parallel the proposed revisions to the Call Report. Collectively, the commenters asked for (1) clarification on the applicability of the proposed reporting requirements, (2) additional new items, (3) combining two items, (4) opening certain risk-weight categories for some items, and (5) clarification of or additional instructions for certain line items.

One commenter noted that in several places the proposed reporting instructions refer the reader to the agencies' regulatory capital rules for additional information. The commenter requested that the agencies incorporate the information from the regulatory capital rules into the reporting instructions. The agencies believe that adding such text to the reporting instructions would unduly add significant length to the instructions, and do not believe it is necessary to incorporate the complete text of the agencies' regulatory capital rules into the reporting instructions. However, the agencies will revise the proposed reporting instructions to more clearly cross-reference the regulatory capital rules.

One commenter requested the addition of a separate line item for total equity exposures, while another commenter requested the addition of a three-way breakout of equity exposures to investment funds similar to that found in the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101; OMB No. 7100-0319). The FFIEC 101 requires institutions to report equity exposures to investment funds by the methodology used to risk weight these exposures. The agencies do not believe it is necessary to add line items for reporting equity exposures by risk-weighting methodology to the Call Report. Furthermore, the agencies would not import into the Call Report the equity exposure reporting template found in the FFIEC 101 because this would add complexity and burden for smaller institutions that complete the Call Report. However, because of the approaches available for risk weighting investments in investment funds (including mutual funds), the agencies would add data items for reporting the exposure amount and risk-weighted asset amount of such investments to the appropriate balance sheet asset categories. The agencies also would include more detailed guidance related to equity exposure reporting in the final instructions for Schedule RC-R, Part II.

Schedule RC-R, Part II

Two commenters noted that several risk-weight categories for item 8, "Other assets," on the proposed reporting form are not available for data input (i.e., the categories are shaded out), but the commenters stated the categories may be applicable, particularly to address the exposures underlying separate account bank-owned life insurance (BOLI) assets. The agencies agree with these comments and, because of the risk-weighting approaches that can be applied to separate account BOLI assets, would provide new data items for the exposure amount and risk-weighted asset amount of these BOLI assets, which would be reported separately from the other risk weightings within item 8, "Other assets." In addition, the agencies would allow data input in the 150 percent and 300 percent risk-weight categories for item 8, "Other assets."

One commenter requested clarification of the reporting in item 8 of default fund contributions (DFCs) made by the reporting institution to qualifying central counterparties (QCCPs). The commenter noted that the proposed reporting instructions for item 8 state that such contributions should be allocated to the risk-weight categories defined for column B through column Q. However, the commenter observed that DFCs to QCCPs are subject to two alternative methodologies (Methods 1 and 2) for calculating risk-weighted assets, one of which may result in risk weightings not captured in column B through column Q.

In response to this comment, the agencies would provide new data items for the exposure amount and risk-weighted asset amount of DFCs to QCCPs, which would be reported separately from the risk weightings otherwise captured in item 8. The instructions would describe how to use these data items to report DFCs under Method 1 as well as Method 2.

One commenter noted that items 2 through 8 could include securitization exposures, and when added with item 9, "On-balance sheet securitization exposures," would double count such exposures in reporting item 11, "Total assets." The agencies note that the reporting instructions for each proposed balance sheet asset category (items 1 through 8) explicitly state that the reporting institution is to exclude securitization exposures. Nevertheless, the agencies would clarify the proposed reporting form by adding guidance explicitly stating that institutions should exclude securitization exposures from items 2 through 8 and report them in item 9.[1]

Although the proposed reporting form and instructions addressed the reporting of an institution's securitization exposures and the treatment of financial collateral, the agencies noted during their review of the proposal that it did not clearly address the risk weighting and reporting of assets and certain other items secured by financial collateral in the form of securitization exposures or mutual funds, nor did it fully address the two approaches for recognizing the effects of qualifying financial collateral. The approaches for risk weighting securitization exposures and investments in mutual funds also are applicable to such exposures when they serve as financial collateral. To accommodate the possible risk weight outcomes when exposures are secured by these types of collateral, the agencies would include data items in new columns R and S for reporting the exposure amount and risk-weighted asset amount of these collateralized exposures separately from the other risk weightings within appropriate balance sheet asset categories (and derivative and off-balance sheet item categories).

One commenter noted that in accordance with section 37 of the agencies' revised regulatory capital rules, banking organizations must calculate the exposure amount and risk-weighted assets for repo-style transactions on a netting set basis. A netting set may contain transactions that are reported as assets, liabilities, and off-balance sheet items (as long as they are executed under the same master netting agreement), and the basis for the risk-weighted assets calculation is the net exposure, adjusted for volatility and foreign exchange haircuts. As proposed, Schedule RC-R, Part II, would have split the reporting of repo-style transactions between assets (reported in item 3, "Federal funds sold and securities purchased under agreements to resell," i.e., reverse repos) and liabilities and off-balance sheet items (reported in item 16, "Repo-style transactions (excluding reverse repos)"). However, since risk-weighted assets for repo-style transactions are based on the net exposure at a netting set level (inclusive of volatility and foreign exchange haircuts), the proposal's method for allocating repo-style transaction exposures between two reporting items and across the risk-weight categories in a way that would tie back to the amounts required to be reported in column A of Schedule RC-R, Part II (i.e., for item 3, the balance sheet carrying amount, and for item 16, the notional value),

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[1] The agencies would add a similar clarification to the proposed reporting form regarding derivatives and off-balance sheet items that are securitization exposures by explicitly stating that institutions should exclude them from items 12 through 21 and report them in item 10.

does not align with the treatment of repo-style transactions under the revised regulatory capital rules. The commenter recommended that the agencies amend the reporting form to collect all repo-style transactions in a single item, and amounts attributed to risk-weighting categories for this item would tie to an "exposure" amount reported in Column A.

The agencies agree with this comment and would revise the proposed item 16 of Schedule RC-R, Part II, to include all repo-style transactions in a retitled item 16, "Repo-style transactions," which would now also include securities purchased under agreements to resell (reverse repos) in order for institutions to calculate their exposure based on master netting set agreements. In addition, consistent with the Call Report balance sheet (Schedule RC), proposed item 3 of Schedule RC-R, Part II, would be split into item 3.a, "Federal funds sold (in domestic offices)," and item 3.b, "Securities purchased under agreements to resell." However, after an institution reports the balance sheet carrying amount of its reverse repos in column A of item 3.b, it would report this same amount as an adjustment in column B of item 3.b, resulting in no allocation of the balance sheet carrying amount of reverse repos across the risk-weight categories in item 3. This reporting methodology would ensure that the sum of the balance sheet asset amounts reported in items 1 through 9, column A, of Schedule RC-R, Part II, that an institution would report in item 11 of Schedule RC-R, Part II, would continue to equal the "Total assets" reported in item 12 of the Call Report balance sheet (Schedule RC).

Another commenter noted that, under the agencies' revised regulatory capital rules, a banking organization is required to hold risk-based capital against all repo-style transactions, regardless of whether the transactions generate on-balance sheet exposures. The commenter also noted that the proposed reporting instructions for Schedule RC-R, Part II, state that "Although securities sold under agreements to repurchase are reported on the balance sheet (Schedule RC) as liabilities, they are treated as off-balance sheet items under the regulatory capital rules." The commenter then questioned the intent of the agencies' proposed reporting form that would require an institution to calculate a capital charge for these "off-balance sheet items" despite the fact that the security pledged by the institution as collateral for the repo remains on the balance sheet for accounting purposes and would therefore attract a separate on-balance sheet risk weighting. The agencies adopted this reporting approach for consistency with the revised regulatory capital rules, which recognize that institutions face counterparty credit risk when engaging in repo-style transactions. However, under certain conditions, the agencies' revised regulatory capital rules also allow institutions to recognize the risk mitigating effects of financial collateral when risk weighting their repo-style exposures. The final reporting form and instructions for Schedule RC-R, Part II, would implement this treatment of repo-style transactions, which is set forth in the revised regulatory capital rules.

The final version of Schedule RC-R, Part II, would also include a new line item 22, "Unsettled transactions (failed trades)," in order to more clearly assess risk-based capital against delayed trades where the counterparty has failed to deliver an instrument or make a required payment in a timely manner.

One commenter noted that, prior to the proposed revisions, the instructions for Memorandum item 1 stated that all written option contracts (except those that are, in substance, financial guarantees) are not covered by the risk-based capital standards. However, this statement was omitted from the proposed instructions for Memorandum item 1. The commenter asked if this was an explicit change in the reporting of written option contracts. Written option contracts continue to be excluded from reporting in Memorandum item 1, consistent with the revised regulatory capital rules. The agencies would clarify this exclusion in the proposed instructions for Memorandum item 1.

Existing Memorandum item 2 would be revised to provide for separate reporting, by remaining maturity and type of contract, of the notional principal amounts of the institution's over-the-counter and centrally cleared derivative contracts subject to the revised regulatory capital rules.

Schedule RC-L

One commenter noted that the current instructions for item 9 state to "report all securities borrowed against collateral (other than cash)" for such purposes as serving "as a pledge against deposit liabilities or delivery against short sales," whereas the current instructions for item 6 state to report all securities owned that are "lent against collateral or on an uncollateralized basis." The commenter characterizes current item 9 as inclusive of only certain types of securities borrowings such as those collateralized by "other than cash" and those "for purposes as a pledge against deposit liabilities or short sales," whereas current item 6 covers all types of securities lending regardless of the type of collateral. The commenter asks for clarification of the scope of these two items.

Similar to current item 6 of Schedule RC-L, the instructions for item 6.b would clarify that institutions should report all types of securities borrowing, regardless of collateral type. The phrase "other than cash" would be deleted from the final instructions for item 6.b of Schedule RC-L.

Treatment of Financial Subsidiaries

During the review of the proposed reporting forms and instructions, the agencies noted that the instructions were not clear regarding the treatment of assets and liabilities of financial subsidiaries for purposes of the capital calculations. Pursuant to 12 U.S.C. § 24a(c), all assets and liabilities of financial subsidiaries must be deconsolidated and deducted for purposes of determining an institution's compliance with the agencies' regulatory capital standards. While the statutory treatment was explicitly included in the prior instructions, it was inadvertently omitted from the proposed instructions for Schedule RC-R, Part II. Therefore, the agencies would include language in the instructions specifically addressing the treatment of financial subsidiaries. Generally, any assets of financial subsidiaries reported in Call Report Schedule RC, Balance Sheet, and therefore included in the balance sheet amounts reported in column A of Schedule RC-R, Part II, would be reported as deductions in column B of Schedule RC-R, Part II. Derivatives and off-balance sheet items of financial subsidiaries would not be included for purposes of applying credit conversion factors and risk weighting in the remainder of Schedule RC-R, Part II.

In addition, the agencies would clarify the instructions for the calculation of total assets for leverage ratio purposes in Schedule RC-R, Part I.B, to state that the assets of financial subsidiaries reported in Schedule RC, Balance Sheet, must be reported as a deduction in item 38 of Part I.B.

On February 2, 2015, the agencies published a final notice in the *Federal Register* (80 FR 5618).

Estimate of Respondent Burden

The current annual reporting burden for the Call Report is estimated to be 195,415 hours and would increase to 203,277 hours as shown in the following table. The average estimated hours per response for Call Report filers would increase from 58.09 hours to 60.07 hours due to the proposed changes. This reporting requirement represents 1.3 percent of the total Federal Reserve paperwork burden.

	Number of respondents[2]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	841	4	58.09	195,415
Proposed	846	4	60.07	203,277
Change				7,862

The current total annual cost to state member banks is estimated to be $9,946,624 and with the proposed revisions would increase to $10,346,799.[3] This estimate represents costs associated with recurring salary and employee benefits, and expenses associated with software, data processing, and bank records that are not used internally for management purposes but are necessary to complete the Call Reports.

With respect to the changes that are the subject of this submission, banks would incur a capital and start-up cost component, but the amount would vary from bank to bank depending upon its individual circumstances and the extent of its involvement, if any, with the particular type of activity or product about which information would begin to be collected. An estimate of this cost component cannot be determined at this time.

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[2] Of the 846 respondents required to comply with this information collection, 632 respondents are considered a small entity as defined by the Small Business Administration (i.e., entities with $550 million or less in total assets). www.sba.gov/content/small-business-size-standards.

[3] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at $18, 45% Financial Managers at $61, 15% Lawyers at $63, and 10% Chief Executives at $86). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2013*, published April 1, 2014, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The current annual cost to the Federal Reserve System for collecting and processing the Call Reports are estimated to be $1,500,837 per year. This amount includes the routine annual cost of personnel, printing, and computer processing, as well as internal software development cost for maintaining and modifying existing operating systems used to edit and validate submitted data.