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October 24, 2005

Public Information Room
Office of the Comptroller
of the Currency
250 E Street, S.W.
Mailstop 1-5
Washington, D.C. 20219
Attention: No. 1557-0081

Steven F. Hanft
Paperwork Clearance Officer
Room MB-3064
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Attention: No. 3064-0052

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Attention: No. 7100-0036

Re: FFIEC Call Report Revisions
Notice and Request for Comment

Ladies and Gentlemen:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks,[1] appreciates the opportunity to comment on the proposed revisions (the "proposal") to the Consolidated Reports of Condition and Income (the "Call Report") by the Office of the Comptroller of the Currency (the "OCC"), the Board of Governors of the Federal Reserve System (the "Board"), and the Federal Deposit Insurance Corporation (the "FDIC"); together with the OCC and the Board, (the "Agencies"). Our comments on this proposal are presented below.

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1 The members of The Clearing House are: Bank of America, National Association; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA, National Association; JPMorgan Chase Bank, National Association; LaSalle Bank National Association; UBS AG; U.S. Bank National Association; Wachovia Bank, National Association; and Wells Fargo Bank, National Association.

Regulatory Burden

The Clearing House supports and encourages the Agencies to continually review data collections and identify data that are no longer sufficiently critical or useful to warrant their continued collection by banks. The Agencies have proposed the elimination of the collection of data on four items. Two of the items (Schedule RC-O Memorandum item 2, "Estimated amount of uninsured deposits" and the breakdown by type of holdings of asset-backed securities in Schedule RC-B), however, would only be eliminated for banks with less than $1 billion in assets. Since The Clearing House membership consists of the nation's largest banks, this proposal would result in no reduction of burden for our members. Additionally, the elimination of the items pertaining to the impact on income of derivatives held for purposes other than trading and the items pertaining to bankers acceptances would only minimally reduce burden.

The Clearing House appreciates the challenges in calculating the estimated burden time per response, however, the Agencies' estimate of 43.8 burden hours for national banks is significantly underestimated for large banking organizations. The Clearing House would propose the Agencies change the methodology in calculating burden to, at a minimum, differentiate between large and small banks or between FFIEC 031 and FFIEC 041 filers. Further, the Agencies have significantly over-estimated the reduction in burden associated with testing and enrollment in the Central Data Repository (the "CDR") at 4.47 hours per response. Inclusion of this item in the calculation of burden is not appropriate as it was a one-time occurrence and from the experience of most of The Clearing House member banks should be measured in minutes rather than hours.

Materiality/Minimum Reporting Thresholds

The Agencies have proposed collection of further information on Federal Home Loan Bank advances currently reported in Schedule RC-M, item 5.a. and on Federal funds purchased (Schedule RC, item 14.b.) and Other borrowings (Schedule RC-M, item 5.b.). The Clearing House suggests that the Agencies re-evaluate the collection of this and other supplemental and memorandum information on the basis of materiality to the operations of an institution. The risks and risk management processes deployed by financial institutions can vary significantly between a community banking organization and a large bank. The information pertinent to a community bank may not be significant to a large bank and vice versa. By implementing minimum reporting thresholds for certain information, the Agencies still will collect relevant information to fulfill their objectives while reducing certain of the regulatory burdens imposed on all reporting institutions.

Construction, Land Development, and Other Land Loans

The Agencies have proposed splitting "Construction, land development, and other land loans" (CLD&OL loans) into separate categories for 1-4 family residential CLD&OL loans and

all other CLD&OL loans (Schedule RC-C, part I, item 1.a.; Schedule RC-N, item 1.a; Schedule RI-B, part I, item 1.a; and Schedule RC-L, item 1.c.1). The Clearing House believes that obtaining this level of detail will be difficult as this information is not currently provided in the SEC disclosures related to loans, past due and nonaccrual loans, and charge-offs and recoveries on loans. We also strongly suggest that the Agencies eliminate the proposed split of commitments to fund 1-4 family residential construction and other loans in Schedule RC-L, as this schedule presents information primarily at a product level and does not currently, or necessarily need to, mirror the collateral and purpose type categories of Schedule RC-C. In order to aggregate the level of data as currently proposed by the Agencies, The Clearing House estimates that a minimum lead time of six months from the date the final reporting revisions are published will be required for its member banks to implement changes to their processes and other resources that would be required to fulfill the new filing requirements. The Clearing House also recommends that if construction, land development, and other land loans total less than 5% of total loans and leases, then the reporting institution should not be required to disclose the additional information requested on the aforementioned schedules.

Loans Secured by Nonfarm Nonresidential Properties

The Agencies also have proposed splitting loans "Secured by nonfarm nonresidential properties" (commercial real estate loans) into separate categories for owner-occupied and other commercial real estate (Schedule RC-C, part I, item 1.e; Schedule RC-N, item 1.e; Schedule RI-B, part I, item 1.e) because these two types of commercial real estate loans present different risk profiles. The Clearing House suggests that if the Agencies believe that it is necessary to identify the concentrations of these loans, that the information be collected in a memorandum item on Schedule RC-C rather than in the breakout of the loans. The Clearing House also suggests that only the loan balances of the owner-occupied properties be collected and that no information be collected for nonaccruals, past dues and charge-offs/recoveries. If the concentration of these loans is high at an institution, the Agencies could collect further information when they conduct examinations rather than require all banks to provide this information each quarter.

The owner-occupied designation will be new for the majority of The Clearing House banks and will require coding changes and a minimum lead time of six months from the date the final reporting revisions are published. Initially, it will be difficult to separate cash recovery amounts into these categories, since at the time of charge-off (2005 and years prior), the loans were not flagged according to these categories.

Credit Derivatives

In addition, the Agencies have proposed collecting additional information on credit derivatives by adding a breakdown by type of contract to the notional amounts currently reported in Schedule RC-L, item 7, along with new items for the maximum amounts payable and receivable on credit derivatives; adding credit derivatives to the existing maturity distribution of

derivatives in Schedule RC-R, Memorandum item 2; adding credit derivatives to the breakdown of trading revenue by type of exposure currently collected in Schedule RI, Memorandum item 8; and adding a new income statement Memorandum item for the effect on earnings of credit derivatives held for purposes other than trading. The Clearing House requests further clarification regarding what is meant by "maximum" with respect to reporting the maximum amounts payable and receivable on credit derivatives. It is unclear as to whether this is meant to be the fair value of the derivative contracts or the premium amounts due to be received and paid or some other measure such as notional amount less an estimated recovery amount. The availability and ease of obtaining the information requested can only be addressed upon clarification.

The Clearing House also believes that adding credit derivatives to the breakdown of trading revenue by type of exposure in Schedule RI may not be meaningful because credit derivative positions are often hedged with cash instruments. Reporting only the derivative would create artificial income statement volatility and result in misleading disclosure.

Officer Declaration and Director Attestation Requirements and Signatures

Under current requirements, the Call Report must be signed by an authorized officer of the reporting financial institution along with three directors. The officer declaration and director attestation address the correctness of the information reported in the Call Report. The Agencies have proposed changing the signature requirements to include declarations by each of the CEO and CFO as well as directors on the audit committee.

The need for additional signatures seems to add little value to ensuring that the Call Reports submitted by banks are correct and that adequate internal controls are in place over regulatory reports. Banks already submit detailed reports regarding controls over financial reporting to comply with regulatory requirements set forth under FDICIA. Further, those financial services organizations that are publicly held are also required to meet the extensive requirements set forth under the Sarbanes-Oxley Act of 2002. In view of the requirements already in place, it seems burdensome and administratively unnecessary to require more, rather than fewer, signatures when the spirit of the statutory requirements has been more than satisfied in fulfilling the requirements set forth in FDICIA and under the Sarbanes-Oxley Act of 2002. In fact, public companies are not required to obtain director signatures in order to file quarterly reports with the SEC; public companies review the filings with directors prior to submission. The Federal Reserve System requires the signature of one person who is a senior official and director of the bank holding company or the chairman of the board which seems more than sufficient to comply with statutory requirements. If the Agencies believe that the additional signatures are necessary to provide more assurances over the correctness of the report, The Clearing House requests that banks that are part of a consolidated public company be relieved of this burden. The Agencies should recognize that organizations with strong corporate governance processes in place are already fulfilling oversight requirements in connection with the filing of

regulatory reports. If there are banks in the system with weak corporate governance processes, the addition of more signatures on the cover page of the Call Report will not solve the deeper issue.

Effective Date

If the Agencies determine to proceed with the proposed revisions to the Call Report, The Clearing House urges the Agencies to delay for one year the implementation date of the proposal for Construction, land development, and other land loans; the proposal for Loans secured by nonfarm nonresidential loans; and the proposal for adding the new Schedule RC-P for the collection of data pertaining to closed-end 1-4 family residential mortgage banking activities to March 31, 2007. Certain of the proposed data collections such as charge-offs and recoveries would be required to be reported on a year-to-date basis. This would require programming for these proposed revisions to be completed by December 31, 2005 to begin tracking of this data throughout 2006. As noted above, these proposals will result in significant programming changes which require a minimum lead time of six months from the date the final reporting revisions are published. With the comment period ending October 24, 2005, it seems doubtful that the final reporting revisions would be published before the end of December 2005.

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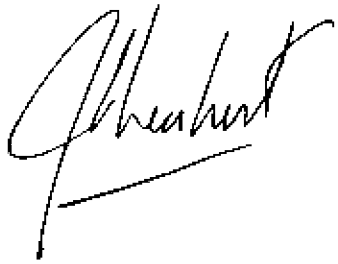
Thank you for considering the concerns expressed in this letter. If you have any questions or are in need of any further information, please contact Norman R. Nelson at (212) 612-9205.

Sincerely yours,



cc: Kenneth P. Lamar
Federal Reserve Bank of New York