American Bankers Association
Building Success. Together.

Alison Touhey
Senior Regulatory Advisor
(202) 663-5182
atouhey@aba.com

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Submitted Electronically

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW., Suite 3E-218,
Mail Stop 9W-11, Washington, DC 20219

Mr. Robert DeV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW., Washington, DC 20551

Mr. Gary A. Kuiper
Counsel
Room MB-3074
Federal Deposit Insurance Corporation,
550 17th Street NW., Washington, DC 20429

Re: Proposed Agency Information Collection Activities regarding FFIEC 031, FFIEC 041, and FFIEC 051; Document number: 2016-19268

Ladies and Gentlemen:

The American Bankers Association (ABA)[1] appreciates the opportunity to comment on the Federal Financial Institutions Examination Council's (FFIEC) proposal (the Proposal) to modify the Consolidated Reports of Condition and Income (the Call Report). The Proposal would create Form 051, a new report for eligible small institutions, and modify various line items on existing Form 041.

We very much appreciate the effort the FFIEC and its constituent agencies have put into the initiative to relieve the burdens all banks face when filing the Call Report. Accordingly, ABA views the proposed Form 051 as a positive step in an ongoing, iterative process. We recognize the importance of Call Reports, which importance underscores the need to keep them current and relevant. We look forward to ongoing efforts to enhance their utility and their focus on what truly provides significant supervisory and management value.

We also recognize that, as currently proposed, Form 051, is an early step that would provide modest but material burden relief to institutions eligible to file the report. We would encourage

[1] The American Bankers Association is the voice of the nation's $16 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.

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the FFIEC and its agencies to continue work to address the primary *sources* of burden all banks face when filing the report.

Continuing the process of meaningful reform will take significant care and effort, which is why we support the proposed plan of the FFIEC to make Call Report reform an ongoing work, one to which the banking industry is ready to lend our best efforts. To that end, we offer recommendations on how the FFIEC can make the Call Report process more efficient and better focused, thereby achieving meaningful relief for banks and improving supervisory utility. Technical examples of the burdens discussed herein are contained in Appendix I.

As part of its Call Report burden review initiative, the FFIEC surveyed banking agency users of Call Report data. We support the FFIEC's use of a series of surveys of FFIEC member agencies to identify users of Call Report data items, asking them to explain the need for each line item they deem essential, how the data are used, the frequency with which the data are needed, and the population of institutions from which the information is needed. We strongly encourage the FFIEC to release publicly the results of the surveys so that banks and the public can better understand the intent and use of each line item. This background information would also make it easier for banks to allocate certain assets or liabilities that may not otherwise clearly fit into a given line item. Additionally, we encourage the FFIEC to look not just internally at how the data outputs are used, but also externally at how the data are collected by the banking industry.

I. Comments on Proposed Form 051

The proposed small bank Call Report, proposed Form 051, would reduce the number of line items eligible smaller banks would be required to submit by 40 percent, with the removal of line items across 11 schedules. In order to be eligible, institutions would have to meet certain criteria, including that the institution is below $1 billion in assets. Eligible institutions could begin filing the new Call Report in March 2017.

As previously noted, we support the creation of a shorter Call Report for eligible institutions and welcome the removal of unnecessary line items. As helpful as this reform is, we would remind the FFIEC that the crux of the burdens lie with the *complexity* and *granularity* of the reporting and the hurdles to understanding which data are properly placed in which line item. Because the proposed changes would remove line items related to complex activities, in which smaller institutions are not engaged, the proposal primarily serves as a much needed clean-up of the Call Report, an important prelude to even more meaningful relief.

We urge the FFIEC to extend its streamlining efforts to the full Call Report so that institutions would not have to report on data for business activities in which they do not engage. We also recommend that the scope of eligible institutions be broadened to include more banks. Raising the qualification to banks with $10 billion or less in assets would not result in any reduction in supervisory value while contributing to better supervisory focus on Call Report information that matters. Banks in this asset category have similar balance sheets and exposures to those under $1 billion and few if any engage in the complex activities represented by the line items proposed for removal.

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II. Recommendations for Enhancing Meaningful Reform

ABA recognizes the importance of the Call Reports for supervisory, public policy, and research purposes. The Call Reports provide data on individual banks, allow trend analysis of condition and trend information about the overall banking industry, and serve as the basis for other policy analysis, including that of monetary policy. For the banks that have to file these reports, however, the amount of man-hours required to fill in and file the Call Report is significant and detracts from other worthwhile activities to which bank resources can be directed. Call Reports are complicated and extensive forms, which require collection of information from virtually every area of the bank. Moreover, the data represent a regulatory requirement that serves limited, if any, business purposes. Discussions with our members indicate three key areas of burden: the amount of manual interventions necessary to gather the Call Report inputs, the length and opaqueness of the instructions, and the lack of general and ongoing training or information gathering opportunities offered by the agencies. There are many, relatively simple approaches to relieving these burdens without compromising the data needed by Call Report users. Our recommendations are outlined below. We note that it is important that steps be made in all of the areas discussed.

a.) Align the Call Report with Financial Accounting Data

Call Reports are a unique bank regulatory reporting exercise, so the necessary data inputs are not typically aligned with an institution's general ledger, management systems, or other reporting. It is a key problem that the Call Report breakouts tend to be unique and very granular, which increases the reporting burden. For example, many line items related to loans require many breakouts relating to size, borrower, and maturity, which do not line up with those used by the bank for business or other purposes. This results in banks having to pull information across systems and configure the data to conform to those required by the Call Report, instead of leveraging available data. In order to alleviate the need for manual interventions, we strongly suggest that the FFIEC better align the Call Report with data used by banks for business purposes and other reporting requirements. Additionally, we request that the FFIEC member Agencies review the granularity of various asset and liability breakouts to determine if the stratification of the data provides necessary information or if certain categories could be consolidated or aligned with other reporting without losing information needed for supervisory or other significant policy purposes.

b.) Make the Instructions Clearer and More User Friendly

The instructions that append the Call Report are almost 1,000 pages long and are not written in plain language. Often a rule or statute is behind the collection of data, and the instructions refer to or are taken directly from the rule. The research and bank resources required to find and interpret the policy on which the line item is based, and match the line item to a specific product (which may not meet the specific parameters of the rule), creates significant and unnecessary burden. Particularly for complex rules, it is hard for those filling out the Call Report to understand where different assets and liabilities should be correctly attributed, particularly when the rule text may be open to interpretation. In order to relieve this burden, we recommend that the agencies make the instructions shorter, clearer, and more user friendly. For example, a hyperlink to the rule or guidance on which the line item is based would reduce the time needed to

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research the policy intent behind specific line items. In addition, we encourage the FFIEC to provide examples of how to calculate complex line items, such as those provided under RC_R line item 29 regarding "capital minority interest that is not included in tier 1 capital."

Further, we encourage the FFIEC to provide a redline version of any changes to the instructions. Currently, it is difficult to identify the changes that were made from the past quarter. Consequently, banks spend many otiose hours each quarter inserting the supplemental updates into the appropriate pages of the 700+ page instruction book so that it can then be saved and compared with the old instructions (comparing old 700+ pages to new 700+ pages).

c.) Provide Enhanced Training

We encourage the FFIEC to engage in outreach efforts, through which banking institutions can gain a better understanding of the required reporting. As noted previously, the data and inputs needed to fill out the Call Report are unique – and granular. In addition, the frequent, significant changes to banking, accounting, and other policies combine to make understanding and filing the Call Report with necessary accuracy a significant hurdle. Given these factors, there is a steep learning curve to understand how to fill out the report or learn how to complete new line items. Conversations with our members indicate that the current mechanisms for asking technical questions about the Call Report are not sufficient, as examiners and agency staff simply tend to restate the instructions, without providing insightful guidance or clarity. To help banks find answers in a timely manner, we reiterate our request for increased ongoing training, a mechanism to ask policy staff relevant questions, and industry conference calls on at least an annual basis. We very much appreciate the FDIC's efforts to help bankers understand the changes related to Basel III via regional training sessions and industry conferences and believe this should be a model for broader Call Report training.

d.) Engage in Frequent Review of the Call Report

Going forward, we recommend that the FFIEC continue to engage in a review of the Call Report on a more frequent basis than that which is required by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA), and we recognize indications by FFIEC agencies to embrace an ongoing approach to Call Report review and reform. The sheer volume of recent policy modifications mean that many changes are also taking place in attendant reporting. In order to ensure that data gathered through the Call Report remain relevant, we encourage the FFIEC to put in place a mechanism to identify obsolete line items in an objective manner and on a frequent, at least an annual, basis. For example, one approach would be to line items completed by less than 5 percent of the industry and flag those items for further evaluation as to the necessity of the information these lines items provide. We also encourage the FFIEC to run the surveys discussed in the preamble to the Proposal at least bi-annually as another means of identifying items that are outdated or no longer needed for supervisory or public policy purposes. To ensure that proper focus remains on items of supervisory importance, we also encourage the FFIEC to consider deleting line items whenever new ones are added.

Moreover, a holistic review of regulatory reporting to which banks are subject is necessary to ensure that the data being used in other reports do not undermine the efficiency being gained in Call Report reform. Since the Call Reports began, a significant number of other reports have

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been introduced that use Call Report data as a key source of inputs. Accordingly, as a complement to the significant efforts the FFIEC is undertaking, ABA urges each agency, particularly the Federal Reserve, to review the many reports on which the Call Reports are based to ensure that the definitions and thresholds line up with those on the Call Report. Otherwise banks would need to keep separate systems for separate reporting, which undermines the FFEIC's burden reduction initiative – as it could significantly **increase** burden.

e.) Provide Sufficient lead time for Changes

As we have often noted before, banks need sufficient lead time to implement reporting changes. Banks and their core processors typically need at least a quarter after a final notice is published to re-configure their systems and perform necessary testing and validation. Whenever a change is proposed, core processors typically will not implement any change in the system until the rule becomes final, creating a major problem for banks that rely on their core system for accurate reporting.

III. Conclusion

We reiterate our strong support and appreciation of the FFIEC's initiative to analyze the Call Report in order to reduce burden for all banks. We particularly appreciate the FFIEC's willingness to engage with the industry to identify sources of Call Report burden. We strongly encourage the FFIEC to continue working with the industry to make the Call Reports and other required reporting more efficient for the banks that file the report, while providing accurate and relevant data for the report's users. If you have any questions about these comments, please contact the undersigned at (202) 663-5182 or email: atouhey@aba.com.

Sincerely,

Alison Touhey
Senior Regulatory Advisor

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Alison Touhey
Senior Regulatory Advisor
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atouhey@aba.com

Appendix I

General Suggestions to Enhance Efficiency, and Clarification Questions

1. Align Call Report edit checks with those of the FR Y-9

2. Add totals in RC-N that automatically calculate control totals for delinquency and nonaccrual input. Providing this control total will make it easier for preparers to validate quickly the accuracy of their input.

3. Use consistent definitions, where possible, throughout the report; for example, there are multiple definitions of OTC:
   - RC-L Line 12.d: Over the counter (OTC) options. "Thus, over the counter option contracts include all options contracts not traded on an organized exchange."
   - RC-R Line 20: Over the counter derivatives. "…an over the counter (OTC) derivative contract is a derivative contract that is not a cleared transaction."

4. Make the report internally consistent. For example, RI_C, it is not aligned with RC_C and in not clear what extra information is gained from disaggregation of ALLL.

5. Have one line for intangible assets in Schedule RC and leave the breakdown in RC-M (+Goodwill).

Instruction Suggestions, Questions, and Clarifications

1. RI-E requires breakdowns of certain categories of noninterest income and noninterest expense without giving any instructions on what to include in those line items.

2. When a bank has a loan secured by land but the loan is not for development purposes. The instructions seem to suggest these would be RC_C 1a2, but feedback from OCC and FDIC representatives indicate they would be 1e1 or 1e2. Where should these loans be allocated?

3. RC-L requires banks to disclose unused commitments, including "commitments to issue commitments at some point in the future, where the bank has extended terms, the borrower has accepted the offered terms, and the acceptance of the terms are in writing….or are legally binding on the bank and the borrower." This information, however, is not readily available. Moreover, there are loans that may be on underwriting/pipeline systems, but the commitments are not yet on the primary loan system. Therefore, all of the information must be compiled manually from multiple sources. Additionally, it is difficult to capture the point at which this definition of "commitment" has been met.

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4. Banks cannot properly report hedged exposures in 2% or 4% risk weight bucket as allowed by the capital rules, due to the cells being shaded. We acknowledge the new guidance to the supplemental instructions in July. However, until the schedule is revised to allow reporting exposures in 2% or 4% buckets, we are required to split the exposures between the 100% bucket (i.e., 2% or 4% of the exposures in the 100% bucket) and the 0% bucket (the remaining exposure).