AMERICAN BANKERS ASSOCIATION

1120 Connecticut Avenue, NW
Washington, DC 20036

1-800-BANKERS
www.aba.com

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Paul A. Smith
Senior Counsel
Phone: 202-663-5331
Fax: 202-828-4548
psmith@aba.com

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Ms. Jennifer J. Johnson, Secretary
Board of Governors
of the Federal Reserve System
20th and C Streets, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Mr. Robert E. Feldman,
Executive Secretary
Attention: Comments/Legal
Federal Deposit Insurance Corporation,
550 17th Street, NW
Washington, DC 20429
comments@fdic.gov

Public Information Room
Office of the Comptroller of the Currency
Mailstop1–5
250 E Street, SW
Washington, DC 20219
regs.comments@occ.treas.gov

Mr. Joseph F. Lackey, Jr.
Office of Information and Regulatory Affairs
Office of Management and Budget
New Executive Office Building
Room 10235
Washington, DC 20503
jlackeyj@omb.eop.gov

Re: **FDIC** Consolidated Reports of Condition and Income, 3064–0052;
FRB Consolidated Reports of Condition and Income, 7100–0036;
OCC Docket No. 1557–0081; 67 Federal Register 68229; November 8, 2002

Dear Messrs and Madames:

The Federal Deposit Insurance Corporation, the Federal Reserve Board and The Office of the Comptroller of the Currency (the "Agencies") are proposing a number of changes to the 2003 Call Reports, which fall generally into three categories: (1) the content of the Call Report itself, (2) the submission deadline for certain banks, and (3) the Agencies' process for validating and releasing the data that banks report. Unless otherwise indicated, the Agencies would implement these proposed Call Report changes as of the March 31, 2003, report date. As is customary for Call Report changes, for the March 31, 2003, report date only, banks may provide reasonable estimates for any new or revised item. These proposed changes would apply to the Call Reports of all banks.

The American Bankers Association ("ABA") brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership - which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks - makes ABA the largest banking trade association in the country.

Comments on Specific Call Report Item Changes

The Agencies propose a number of changes. ABA has specific comments only on a few of these proposed changes, as set out below.

Charge–offs of Accrued Fees and Finance Charges on Credit Card Accounts
The Agencies propose adding five items dealing with accrued fees and finance charges on credit card accounts, allowances for uncollectible accrued fees and finance charges, and charge-offs of such accrued amounts, which would be reported by banks with a significant volume of credit card activity. ABA notes that almost all of the banks consulted on this proposal stated that it would take until the second quarter to change their systems to report these new items, so that the first quarter's reports will be good faith estimates. Additionally, we would recommend that the items be amended to allow the netting of the "nonprincipal" recoveries from the "nonprincipal" balances that are charged off within the quarter.

Income from Insurance Activities
The Agencies propose splitting the current income statement (Schedule RI) item for income from insurance activities into separate items for insurance underwriting income and income from other insurance activities. ABA offers a number of recommendations on the present reporting of revenue from insurance activities. In fact, the ABA's affiliate, the American Bankers Insurance Association, had sent a letter[1] to the Federal Financial Institutions Examination Council's ("FFIEC's") Call Report Task Force on October 28, 2002, before the opening of the current rulemaking, outlining a number of problems with the current Call Report and Bank Holding Company financial report (FR Y-9 series) insurance revenue items and instructions. In summary, the ABIA identified these problems:

1. The instructions for line item 5h create an inconsistency by calling for the reporting of premium revenue partially on a GAAP basis and partially on a statutory reporting basis. This is complicated further by the timing of reporting, since statutory reporting is 45 days after quarter-end and between 60 and 90 days at year-end, depending on the state. Since these dates fall after the deadline for bank financial reports, written premium information is generally unavailable.
2. The bank financial reports require that commissions and fees from annuity sales be reported differently, depending upon the sales channel. Banks and BHCs may (and do) use a variety of legal entities and reporting structures with which to manage the sale of annuity and insurance products. Attributing the revenue on the basis of which particular entity (out of several selling annuities) seems inconsistent with the product based information necessary to support functional regulation.
3. Additionally, bank financial reports appear to treat revenue from insurance sales and revenue from insurance underwriting as the same.
4. On both the Income Statement and the Balance Sheet Memoranda, questions require aggregating mutual fund and annuities information as a single number. This is confusing to reporters, and the combined number may have no particular utility for regulators.
5. The current bank financial report instructions provide no guidance on whether to include (or how to include) a bank's or BHC's internal insurance companies as well as captives that insure against risks of the bank or BHC or that reinsure these internal insurance policies.

[1] A copy of the letter, labeled Appendix B, is appended, and made part of this comment. However, the spreadsheet accompanying that letter is not included, as we believe that the revised spreadsheet, labeled Appendix A, is more pertinent to this comment.

This appears to create a reporting anomaly that may create considerable confusion for bank financial report users.

On December 20, 2002, the ABIA Insurance Reporting Working Group held a conference call with members of the FFIEC's Call Report Task Force to discuss the October 28 letter and the proposed Call Report changes. As a result of those discussions, the ABIA Working Group makes the following recommendations with respect to the current Call Report proposal, incorporating in these recommendations the already proposed Call Report change.[2]

1. The Call Report instructions should state that all reporting of insurance revenue should be on a GAAP earned basis and none should be on a statutory basis.
2. Instructions for completing line 5h should more explicitly detail items to be included as well as excluded, as detailed in the attached spreadsheet.
3. Instructions for completing the Memoranda items should more explicitly detail items to be included as well as excluded, as detailed in the attached spreadsheet.

Additionally, the ABIA Working Group continues to be concerned about several aspects of insurance revenue reporting. While some of these issues may not be resolvable within this rulemaking, according to what we were told by the FFIEC Task Force, nonetheless we hope that the Task Force will consider these recommendations and implement them, if not in this rulemaking, then in the next one. First, the Working Group believes that the reporting of income from annuities sales should not be reported by sales channel but rather all revenues related to annuity and insurance products sales should be reported under Insurance, even if sold through the broker-dealer legal entity. The Working Group recommends the addition of a line 5h(3) for annuities income, with any other adjustments to other items as required by this change. Any annuity sales revenues recognized as part of a fiduciary trust arrangement would still reported in Item 5a.

Second, to prevent confusion arising from the aggregating of mutual fund revenue and annuity sales revenue, the working group suggests that additional lines be added to these questions in order to clearly separate mutual fund numbers from annuities. This will allow examiners to easily distinguish the trends between these growing distinct product areas and allow comparison between banks and BHCs that are managing or selling these two products.

Third, the Federal Reserve Board needs to make analogous changes in the FR Y-9 series, as well as the additional changes indicated in the attached spreadsheet for the additional items required by the FR Y-9 series.

Call Report Supplement for Future Data Needs

The Agencies propose to create a supplement to the Call Report, in which the Agencies, in response to a future event giving rise to an immediate and critical need for specific information, would be authorized to collect a limited amount of data from certain banks. The Agencies state that while the Paperwork Reduction Act has emergency procedures for obtaining authority for the Agencies to collect information on a one-time basis, the Agencies believe it would be preferable to take a proactive approach and establish in advance of a possible critical future data need their authority to collect such data. Frankly, ABA believes that the Agencies fail to meet any of the requirements of appropriate notice and comment under the Administrative Procedure Act for adding such a supplement.

[2] The recommendations also are for the FR Y-9 series of reports as well. These are set out in further detail in the attached spreadsheet entitled: "Call Report Insurance Reporting final 010603.xls."

First, the Agencies' proposal lacks sufficient specificity for there to be notice. Second, the Agencies appear to make no provision for confidential treatment of the supplemental information. Since the information to be requested could be of a very proprietary nature, and might not be requested of all institutions, the institutions subject to the supplement collection might well be put at a competitive disadvantage by a demand for supplemental information. Third, the Agencies' estimate of number of institutions affected and the number of hours of additional paperwork burden are simply without foundation. We conclude that any such ad hoc informational needs would best be served by using the existing emergency provisions of the Paperwork Reduction Act rather than the Agencies' proposed Call Report supplemental schedule.

Early Collection of Deposit Items from Certain Banks with Foreign Offices

The Agencies are proposing a reduction in the filing period to 30 days effective June 30, 2003, for banks with more than one foreign office. In a related change, the Agencies are proposing to authorize the FDIC, in connection with its responsibility to set insurance premium assessment rates semiannually, to obtain certain deposit data from those banks with foreign offices whose March 2003 Call Reports have not been filed within the standard 30–day filing period. The FDIC would contact these banks in early May 2003 and direct them to disclose to the agency the amounts then available from their Call Report preparation process for two Call Report items: total domestic office deposits and estimated uninsured deposits.

Larger banks with foreign offices have raised serious objections to the Agencies' proposal. These banks tell ABA that they must receive specific informational reports from business lines in order to complete the Call Report schedules, as much of the information required in the Call Reports is not used in larger banks' general ledger systems. This data must be collected from a number of sources within the organization, often while those sources are compiling other information for other required reporting, such as filings with the SEC or other regulatory bodies. The existing additional time was originally provided because of the complexity of this information reporting process, and this has not changed since the original additional time for filing was authorized. In fact, we note that this same proposal that would shorten the time for filing also adds a number of items to the overall reporting burden, such as the additional information on insurance revenue, credit cards, and securitizations. In short, our larger institutions with multiple foreign offices believe that the Agencies' proposal imposes too great a burden and risks forcing a degradation in the quality of the data collected and reported.

In the alternative, we suggest that the Agencies adopt an alternative approach: the banks we consulted believe that they could accommodate a staggered data submission process where a preliminary balance sheet, as well as domestic deposit schedules, and income statement could be provided by the 30th day and the detailed Call Report schedules would then follow on the 45th day. This abbreviated 30-day report, in addition to providing a snapshot of banks' results for the quarter, would also provide all the data needed to calculate all banks' deposit insurance and financing corporation assessments and national banks' semiannual OCC assessment fees.

Criteria for Acceptance of Call Reports

Finally, the Agencies' currently plan to implement a new business model for collecting and validating Call Reports in March 2004. In connection with the introduction of this new business model, the agencies are proposing that a bank's Call Report must pass all validity edits and must include an explanatory comment addressing each quality edit exception identified in the bank's report in order for the Agencies to accept the bank's Call Report submission. Otherwise, the bank's report will not be accepted and the bank will need to make appropriate corrections to its report data, add any required explanatory comments, and resubmit its data file by the submission deadline.

ABA has a number of concerns about this proposal. First, as we have already raised in anther venue, ABA is concerned that the new report process combined with immediate web publication could actually result in banking industry financial reporting being released considerably earlier than financial reports of competitors, which could create competitive disadvantages. Second, the Agencies, by making the validity edits and comments integral to the Call Report release, may be making the validity edits part of the required reporting, requiring changes in the validity edits to be subject to the same notice and request for comment as are Call Report schedules, a result neither the Agencies nor bankers want. Third, the Agencies have not provided assurance that comments provided as part of the validity edits will be confidential, as such comments under the current validation process are. Fourth, the Agencies' proposal appears to require even more work to be completed in less time than under the current system, with the additional elimination of the days allowed banks to respond to queries on Call Report entries today. All of these concerns lead us to recommend that the Agencies not finalize this process at this time but continue to work with the industry to ensure that the process is workable and secure before implementing it. To that end, ABA has recruited a small group of bank financial officers into a Call Report Modernization Task Force, and they and we stand ready to continue to work with the Agencies on Call Report modernization.

ABA appreciates the opportunity to comment on the 2003 Call Report amendments, and if the Agencies have any questions about this letter, please call the undersigned. If there are any questions about the ABIA insurance revenue recommendations, please call Mr. Ken Reynolds, Managing Director, American Bankers Insurance Association, at 202/663-5163.

Sincerely,

Paul Alan Smith

Paul A. Smith
Senior Counsel