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Submitted Electronically

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Re: 1557-0081, FFIEC 031 and 041

Ladies and Gentlemen:

The American Bankers Association (ABA)[1] and The Clearing House Association, L.L.C. [2] (the Associations), appreciate 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 articulates a proposed FFIEC strategy regarding Call Report burden review and recommends a number of changes to amend the report. Call Report data serve a variety of regulatory, supervisory, and public policy purposes and are a source of current statistical data on the banking industry.

This letter represents views from the entire range of the banking industry, from banks operating a wide variety of business models to meet the wide variety of banking customers. That includes

[1] The American Bankers Association is the voice of the nation's $15 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.

[2] Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost $2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States.

banks of all sizes, the many different state and national charters, the diversity in ownership structures, all geographies, and various programs and services offered to our customers. While some points in the proposal affect the variety of banks in different ways, all banks are affected by the need for reform in the Call Report requirements.

The Associations commend the FFIEC's recognition of the reporting burdens currently imposed by the Call Report. We also very much appreciate the FFIEC's decision to accelerate the start of the next statutorily mandated review of the Call Report.[3] We strongly support the FFIEC's initiative to analyze the Call Report in order to identify obsolete or redundant line items and better align the report with recently implemented rules and standards, thereby reducing burden for all banks. We particularly appreciate the FFIEC's willingness to provide enhanced Call Report training and guidance. The first training session, held via conference call in February 2015 to review changes to Schedule RC-R, was extremely beneficial to the industry. We strongly encourage the FFIEC to continue its outreach efforts through which banking institutions can gain a better understanding of the required reporting.

The Associations and their members understand the importance of these and other reports but emphasize that Call Reports are complicated and extensive forms, which require collection of information from virtually every area of the bank. Today's Call Report consists of almost 2,000 line items. In addition to the importance of removing obsolete items, we strongly urge the Agencies be conservative when making additions.

Moreover, in the Proposal, the FFIEC notes that it is considering the "feasibility and merits" of creating a less burdensome version of the Call Report for smaller institutions. We strongly encourage this initiative and urge the FFEIC to work with the industry to create a report that both reduces reporting burden for smaller institutions and meets the data needs of the Agencies. Given the diversity in bank business models, there is ample scope and necessity for tailoring Call Report requirements to the conditions of the various banks. We are aware that such tailoring 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.

With this letter we recommend that the FFIEC:

- Establish an industry advisory committee to provide the FFIEC with advice and guidance on issues related to FFIEC reports;
- Enhance tailoring in the Call Report by creating a more streamlined Call Report for smaller institutions, which do not typically engage in many of the activities about which the FFIEC seeks data;
- Work to ensure other required regulatory reporting forms are updated simultaneously;
- Allow sufficient time for institutions to implement any reporting changes;
- Release finalized instructional updates at least a quarter prior to implementation; and

[3] Section 604 of the Financial Services Regulatory Relief Act of 2006 (12 U.S.C 18179(a)(11)).

- Provide enhanced, on-going, training opportunities both to introduce new line items as well as review those which were previously established.

Regarding the Proposal's specific changes, our primary concerns, as described more fully below, are the proposed time provided to implement changes and the need for consistency of definitions across both FFIEC and individual agency reports. An overview of our concerns with respect to the Proposal is provided below. Technical comments and questions are contained in Appendix I.

I. Timing of Implementation

The FFIEC proposes numerous changes to the Call Report and the accompanying instructions, including deleting several items and increasing several reporting thresholds. Additionally, to align the report better with other regulatory initiatives, the FFIEC proposes to add new line items and refine the instructions for certain assets. The proposed changes would be effective in either the December 2015 or the March 2016 Call Report filings. As a general policy matter, the Associations do not object to most of the proposed changes. From a systems standpoint, however, the proposed changes are significant, and banks will need significantly more time to modify their reporting systems or work with third party data providers to gather, test, and submit the requested information.

Banks typically need at least several months after a final notice is published to re-configure their systems and perform necessary testing and validation. Moreover, a year-end implementation date for some line items would require covered banks to make changes in the midst of major year-end reporting (e.g. 10Ks, Call Reports, and Y9s) and year-end freezes. These obstacles are relevant for even seemingly simple changes, such as deletions. For many institutions it is not solely a matter of not reporting a line item, as the data gathering process would remain in place and would require a revision to internal reporting templates and processes. Given that most banks have automated processes, even minor changes to the Call Report would entail completing and documenting maintenance on all templates.

In order to provide banks sufficient time to implement systems updates, we strongly urge the FFIEC to implement the changes for **non-income** line items no earlier than a full quarter after the quarter in which the final notice is published in the Federal Register. For line items that collect data on **income and quarterly averages,** we suggest the FFIEC implement these changes no earlier than as of January 1, 2017, with the changes reflected in the March 2017 Call Report. Incorporating changes to the income statement at the beginning of the reporting year rather than in a later period allows institutions to provide consistent quarterly reporting throughout the year and eliminates the need to restate or modify prior period results, thereby reducing operational challenges in manually compiling a year-to-date break-out of these charges.

II. Consistency of Regulatory Reporting Definitions and Treatments

As the FFIEC is aware, banks are coming into compliance with a host of new regulations and associated reporting requirements, many of which are still evolving. We strongly urge the FFIEC to ensure that Call Report definitions and treatments are consistent with other regulatory reports that banks are required to file. Inconsistent reporting definitions will force institutions to maintain separate reporting systems for collecting data on what are effectively the same assets, liabilities, and income items.[4] Further, the regulatory reporting data collections are heavily interconnected as banks use source data from some reports to populate others. Changes presented in the proposal that have implications for other regulatory reporting include:

- **HELOCs.** The definition of home equity lines of credit (HELOCs) that convert from revolving to non-revolving status has implications for many other reporting efforts such as the FR Y-14, FR 2644, FFIEC 101, CCAR, and FR 2052. Inconsistency between the Call Report and various other regulatory reports would require banks to add and maintain separate fields for loan classification.

- **Updating the deposit insurance threshold.** Recognition of the increased deposit insurance threshold across all reports is important due to the fact that banks use FR 2900 and FR 2644 to derive information reported on Schedule K for the FFIEC 031 and 041 reports.

In addition to reducing inefficiencies and burden on banking organizations, simultaneously adjusting definitions or other changes to regulatory reports also reduces confusion among report users, who otherwise would have to understand multiple, and potentially conflicting, iterations of the same line item. Regulators and regulated alike would benefit from reporting consistency.

III. Specific Comments

a. Threshold changes

The FFIEC proposes to increase from $25,000 to $100,000 the dollar portion of the threshold for itemizing and describing components of reporting across several Schedules. While we appreciate the FFIEC's more targeted approach, the proposed $100,000 threshold would do little to reduce the reporting burden for most institutions. Instead, we urge the FFIEC to consider increasing the reporting threshold to 5 – 7% of the totals. Adjusting the percentage thresholds would provide material relief while maintaining meaningful data necessary for supervisory purposes.

b. Instructional Revisions

The FFIEC proposes to revise the instructions for reporting (1) HELOCs that convert from revolving to non-revolving status; (2) securities for which a fair value option (FVO) is elected; and (3) net gains (losses) on sales of, and other-than-temporary impairments on, equity securities that do not have readily determinable fair values. The proposed changes would take effect December 31, 2015. We appreciate the FFIEC's efforts to provide further guidance on the reporting for these line items. As a general matter, we encourage the agencies to issue finalized

[4] We acknowledge and understand that there may be cases where the definitions need to be different in order to collect data to suit different purposes and needs. Every effort should be made to minimize such differences, and the FFIEC should consider expressly addressing this issue in its statutory review of the Call Report.

changes to the instructions at least 60-90 days prior to quarter end, to give institutions time to implement any changes, and where possible to provide specific examples of what should be reported in a specific line item and address ambiguities that may exist.

c. Reporting Home Equity Lines of Credit that Convert From Revolving to Non-Revolving Status

The Call Report instructions do not currently address how institutions should report home equity lines of credit that have reached the end-of-draw period and convert from revolving to non-revolving status. The Proposal provides instructional changes intended to clarify how these products should be reported. We appreciate the FFIEC's clarification of this line item. However, we note that material definitional changes would require a wholesale recoding of these credits and likely will have implications for other regulatory requirements. For example, would a loan originated as a HELOC but now reported as a 1-4 family loan fall under regulations applicable to 1-4 family loans, such as flood escrow requirement? Or, for CCAR purposes, would these credits be included on the revolving line template during the draw period and then be required to be moved to the loan data file? Additionally, as the treatment of some HELOCs remains unclear we request further clarification on the following:

- In order for a loan to be considered as "in the repayment period," would the loan need to meet both criteria where a borrower can no longer draw on the line of credit AND the outstanding principal is either due immediately or is repaid over the remaining loan term through monthly payments?

- How should a HELOC be reported that is within its draw period per the HELOC agreement, but where additional extensions of credit or draws on the line have been suspended, such as for reasons that the value of property declines significantly below the property's appraisal value, inability to fulfill payment obligations due to material change in financial circumstances, bankruptcy, or death?

In order to help institutions better understand the FFIEC reporting requirements, we strongly encourage the FFIEC to provide examples within the instructions.

d. Reporting Treatment for Securities for Which a FVO Is Elected

The FFIEC proposes to revise the Glossary's definition of "Trading Account" to align better the Call Report with recently finalized accounting rules. Under the Proposal, if an institution elects the FVO for securities under Accounting Standards Codification (ASC) Topic 825, the institution would be able to classify such securities as held-to-maturity (HTM) or available-for-sale (AFS), based on the institution's "intent and ability" with respect to the securities. In addition, an institution could choose to classify securities, for which FVO is elected, as trading securities. While the Associations understand the purpose of this change, we request further clarification regarding securities for which an institution has elected to use the trading measurement classification but has no intent to use the securities in trading activities, i.e., buying and selling the securities in the near term. The instructions should reflect that when an institution has elected, for practical expediency, the trading measurement classification for securities but does not have the positive intent to use the securities in trading activities, they should have the same treatment as securities for which FVO is elected and thus be able to be classified as HTM or AFS for the Call Report. A detailed discussion of the item may be found in Appendix I.

e. Increase in the Time Deposit Size Threshold

Under the Proposal, the FFIEC would increase the time deposit size threshold used to report certain deposit information from $100,000 to $250,000 in Schedule RC-E, Deposit Liabilities; Schedule RI; and Schedule RC-K, Quarterly Averages. The changes would be implemented in December for RC-E and March for RC-K and RI. The Associations appreciate the FFIEC's decision to update the deposit insurance threshold to align with the increased insurance limit provided for under Section 136 of the Emergency Economic Stabilization Act of 2008.[5] We note, however, that this revision comes with many challenges, particularly regarding the proposed changes to RC-K and RI.

Currently, many institutions code their deposit products by type and counterparty, based on the $100,000 deposit insurance threshold. These accounts are mapped to the General Ledger (GL). Because these accounts can only map to one GL account, institutions will need to make extensive system changes, including creating—and implementing—entirely new product codes. This would be difficult, if not impossible, under the proposed timeline for implementation. As mentioned earlier, system changes can be extensive and take many months to complete. It is anticipated that this particular change to increase the time deposit size threshold for Schedules RC-E, RC-K, and RI would take most banks from 9-12 months to re-configure their systems along with performing the necessary testing and validation work. This time estimate assumes all FFIEC reports along with the FR reports (FR2900 and FR2644) are being changed at the same time. Otherwise, the estimated time to re-configure systems would increase by another 3-4 months due to the expected inconsistency among these major reports.

Moreover, a staggered approach to implementing the increase in the time deposit size threshold would cause confusion and delay as it would hinder banks' internal validity checks. Many banks have in place a quarterly process to collect the time deposit data for Schedules RC-E, RC-K, and RI, which includes built in validity checks to ensure that the end-of period balances (RC-E), average balances (RC-K), and interest expense (RI) are reasonable. In finalizing the proposal to increase the deposit insurance limit threshold, we strongly recommend that the FFIEC establish the same effective date across the affected schedules. Accordingly, we recommend that the FFIEC implement these changes simultaneously on January 1, 2017.

These challenges are exacerbated by the inconsistencies created by only updating the deposit insurance threshold for certain line items on the Call Report. We strongly suggest that the FFIEC adjust the deposit insurance threshold across Schedule E, incorporating brokered deposits and IRA products. Otherwise, the reporting of deposit products will be inconsistent and banks will be required to create a new process for reporting the $250,000 threshold, while maintaining the process currently in place for the $100,000 threshold. Examples of line items that will also need

[5] Pub L. No. 110-343.

to be updated to reflect current deposit insurance levels are provided in Appendix I.

f. Revisions to the Reporting of the Impact on Trading Revenues of Changes in Credit and Debit Valuation Adjustments

The FFIEC proposes to revise the way in which banks report the impact on trading revenues of changes in credit valuation adjustments (CVA) and debit valuation adjustments (DVA). The FFIEC proposes to replace existing Memorandum items 8.f and 8.g of Schedule RI and require further granularity in the presentation of gross CVA and DVA along with any related CVA and DVA specific hedging results by type of underlying risk exposure (e.g., interest rates, foreign exchange, and equity), effective March 31, 2016. Because this approach is different than how many banks currently report CVA and DVA, they do not currently have the capability to calculate this information by type of underlying risk exposures. Building out the requisite systems and processes to enable this reporting, together with the requisite development and testing of internal control processes, would require a delay in the implementation date of the proposal to no earlier than 2017.

IV. Conclusion

The Associations commend and support the efforts by the FFIEC to reduce Call Report burden now and on an ongoing basis. We urge the FFIEC to continue its deep review of the Call Report and look for opportunities to delete line items that are no longer needed, establish thresholds for line items, and update and align the definitions with the report. Going forward, we strongly encourage the FFIEC to work closely with the industry on this important work to tailor Call Report requirements more fully. If you have any questions about these comments, please contact the undersigned at (202) 663-5147 or email: atouhey@aba.com or Ryan Pozin (212) 613-0135 (email: ryan.pozin@theclearinghouse.org).

Sincerely,

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American Bankers Association

Ryan Pozin
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The Clearing House Association L.L.C.

Appendix I

1. **General Definitions:**
   a. We request that the FFIEC clarify the domestic / foreign "Domicile" definition given that there seems to be an inconsistency between the Call Reports/FR Y-9C and other regulatory reports such as the Country Exposure Report (FFIEC 009) and TIC Reports. The Call Reports/FR Y-9C use "principal business address" while the Country Exposure Report (FFIEC 009) and TIC Reports use "country of incorporation."

2. **Schedule RI**
   a. CVA/DVA. We request instructional clarification and greater specificity as to what the FFIEC is looking for with respect to this reporting. For example, some institutions use a Bilateral Credit Valuation Adjustment (BCVA) methodology to measure counterparty credit risk (CVA) and the bank's own credit risk (DVA) consistent with the fair value requirements of ASC 820 (US GAAP) and industry practice. The methodology is applied to both derivative assets and derivative liabilities and results in a valuation adjustment of BCVA (where BCVA = -CVA+DVA). Accordingly, it is unclear if banks should report the impact on trading revenue of BCVA to derivative assets in item 8f1 and BCVA to derivative liabilities in item 8f2 or, if banks should report the impact on trading revenue of CVA on derivatives in item 8f1 and the impact of DVA on derivatives in item 8f2.

3. Schedule RC:

a. The FFIEC is proposing to modify the langue in RC Memorandum item 1 to better align with accounting standards. While we do not object to this change, but request that the FFIEC clarify and expand on the definition of "integrated."

4. Schedule RC_E:

a. We recommend item 2 (c) be deleted as it is no longer necessary.

b. We recommend that the FFIEC update the deposit insurance threshold for brokered deposits and retirement deposits, and delete line items that require reporting insured deposits of $100,000- $250,000, including:

- RC-E M.1.c.1 Brokered Deposits of less than $100K;
- RC-E M.1.c.2 Brokered deposits of $100,000 through $250,000;
- RC-E M.1.d.1 Brokered deposits of less than $100,000 with a remaining maturity of one year or less;
- RC-E M.1.d.2 Brokered deposits of $100,000 through $250,000 with a remaining maturity of one year or less;
- RC-E M.1.d.3 - Brokered deposits of more than $250,000 with a remaining maturity of one year; and
- RC-E M.2.e - Individual Retirement Accounts (IRAs) and Keogh

Plan accounts of $100,000 or more

5. **Schedule RC_Q**:
   a. The Proposal would move HTM securities into the AFS bucket, we request clarification on what is required to be reported in this line item.

6. **Glossary entry for "Trading Account:"**

   a. **Classification of FVO Securities**. We request clarification on the treatment of securities for which FVO is elected, but where the intent of the Bank is not to use the securities in their trading activities. For example, a banking organization may carry certain debt securities at fair value by electing, for purposes of practical expediency, the trading classification measurement available in ASC 320, though it has no positive intent to trade the securities. These securities often may have certain embedded derivatives that are difficult to bifurcate from the host security. In addition, the institution may wish to hedge certain specific risks of the security without applying complex hedge accounting rules. The institution will then elect to measure these securities at fair value in order to alleviate the accounting mismatch with the derivatives as well as the operational complexities of applying FAS 133 hedge accounting as we hedge certain of the debt securities for interest rate and duration risk. There are also numerous other reasons that a bank may want to measure their securities at fair value through earnings. We believe this distinction needs to be included in the instructional clarification.