



Bank Reports

FIL-109-96
December 31, 1996

TO: CHIEF EXECUTIVE OFFICERS
SUBJECT: *Revisions to the Reports of Condition and Income (Call Reports) for 1997*

The Federal Financial Institutions Examination Council (FFIEC) has approved revisions to the reporting requirements for the Reports of Condition and Income (Call Report) for 1997. The Examination Council is providing this early notification to assist you in planning for these upcoming Call Report changes, which also must be approved by the U.S. Office of Management and Budget (OMB) before they can become final. More detailed information about changes in Call Report requirements for 1997, including the related instructions, will be distributed to all banks within the coming weeks.

Proposed Call Report revisions for 1997 were issued for public comment on September 16, 1996. The revisions approved by the Examination Council, which are described in the attached document, incorporate modifications made to the proposal in response to the comments received. The revisions for 1997 include:

- Deletions of several existing Call Report items and other reductions in the detail required in certain schedules, including the combining of separate balance sheet items for federal funds transactions and repurchase/resale agreements, the elimination of the breakdown of taxes by taxing authority reported annually in December, and the combining or modification of a number of items on the regulatory capital schedule;
- The adoption of generally accepted accounting principles (GAAP) as the reporting basis for the balance sheet, income statement, and related Call Report schedules, which entails the revision of Call Report instructions that currently depart from GAAP, the addition of a small number of new items to meet supervisory data needs resulting from the adoption of GAAP, and the modification of other existing Call Report items or instructions;
- New items that will enhance the banking agencies' ability to identify, from off site, banks that have either minimal or potentially high interest rate risk in order to allocate examiner resources and set examination priorities;
- New items that will identify banks electing Subchapter S status for federal income tax purposes, support the FDIC's calculation of banks' assessable deposits, and determine bank usage of credit derivatives; and
- Instructional changes and clarifications relating to residential mortgage loan commitments, firm commitments to sell residential mortgage loans, assets deducted when measuring regulatory capital, and other topics.

These Call Report revisions will take effect as of the March 31, 1997, report date, except for the reporting changes related to interest rate risk. In the March 31, 1997, Call Report, banks may report a reasonable estimate for any new or revised item for which the requested information is not readily available.

The Examination Council has deferred the effective date for the revised interest rate risk information until the June 30, 1997, report date in order to provide banks with additional time to make any necessary systems changes. The option to report reasonable estimates for items for which the requested information is not readily available applies to the interest rate risk-related items in the June 30, 1997, Call Report.

On November 4, 1996, acting under the auspices of the Examination Council, the banking agencies requested comment on a proposal to discontinue their acceptance of Call Reports that banks file directly with them in hard copy (paper) form (see FIL-94-96 dated November 22, 1996). Under this proposal, the agencies would, instead, accept only those Call Reports filed with their electronic collection agent, Electronic Data Systems Corporation (EDS). A bank could either file its reports directly with EDS (by using a computer and modem or by sending EDS a computer diskette) or arrange for a third party to first convert its paper reports to automated form and then file the reports with EDS. The agencies would implement the new filing practice as of the June 30, September 30, and December 31, 1997, report dates based on bank size. The proposal's comment period ends on January 3, 1997. Banks will be advised as more information on this proposed filing practice becomes available.

Banks are reminded that Financial Accounting Standards Board (FASB) Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (FAS 125), takes effect on January 1, 1997. Banks must adopt the provisions of FAS 125 for Call Report purposes for transactions occurring after December 31, 1996, except for any provisions of this new accounting standard deferred for implementation by the FASB. FAS 125 also applies to servicing contracts and certain financial assets in existence before January 1, 1997. Thus, the March 31, 1997, Call Report will be the first regulatory report to be completed in accordance with the provisions of FAS 125 for which the FASB has not delayed implementation. Banks should note that FAS 125 establishes a new accounting approach for distinguishing transfers of financial assets that are reported as sales from transfers that are reported as borrowings. Because this new approach will apply to transfers of financial assets beginning in 1997, including such basic transactions as loan participations, banks are encouraged to consult with their outside accountants concerning the effect of FAS 125 on their asset transfer activities and the actions needed to implement FAS 125.

Please forward this letter to the person responsible for preparing Call Reports at your bank. For more information or assistance, national banks and FDIC-supervised banks may contact the FDIC's Call Reports Analysis Unit in Washington, DC, toll-free on 1-800-688-3342 or 202-898-6607. Assistance is provided Monday through Friday between 8:00 a.m. and 5:00 p.m. Eastern time. State member banks may contact their district Federal Reserve Bank.

Joe M. Cleaver
Executive Secretary

Attachment
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