

FFIEC

Federal Financial Institutions Examination Council
Washington, D.C. 20037

CALL REPORT DATE: March 31, 1998
FIRST 1998 CALL, NUMBER 203

SUPPLEMENTAL INSTRUCTIONS

March 1998 Call Report Materials

The sample set of report forms that is enclosed in your March 31, 1998, Call materials is generally based on whether your bank has any "foreign offices" (including an International Banking Facility) and on the total assets reported by your bank in its June 30, 1997, Report of Condition (see pages 1 through 4 of the General Instructions section of the Call Report instructions). Based on these criteria, in general:

- Banks of any size that have "foreign offices" must file the FFIEC 031 report;
- Banks without foreign offices and with assets of \$300 million or more must file the FFIEC 032 report;
- Banks without foreign offices and with assets of \$100 million or more but less than \$300 million must file the FFIEC 033 report; and
- Banks without foreign offices and with assets of less than \$100 million must file the FFIEC 034 report.

Please retain the enclosed sample set of forms for use through December 31, 1998. The banking agencies will send sample Call Report forms for June 30, September 30, and December 31, 1998, to banks only upon request. When completing your bank's quarterly Call Report, you may request a sample form for the following quarter by marking the box located in the section of the report asking for the name of your bank's Call Report contact person. Each quarter's report forms also will be available on both the FFIEC's Web site (www.ffiec.gov) and the FDIC's Web site (www.fdic.gov).

Submission of Completed Reports

All banks must submit their Call Reports electronically to the banking agencies' electronic collection agent, Electronic Data Systems Corporation (EDS), using one of the two methods described in the agencies' March 31, 1998, cover letter. Banks are no longer permitted to send completed hard-copy (paper) Call Report forms directly to the appropriate federal banking agency, i.e., to the FDIC for national and FDIC-supervised banks and to the appropriate Federal Reserve District Bank for state member banks.

Banks that contract with another party to convert their Call Reports to electronic form for transmission to EDS should deliver their hard-copy reports to that party in sufficient time for EDS to receive their Call Report data files by the submission deadline.

Banks are required to maintain in their files a signed and attested record of the completed Call Report that has been submitted to EDS showing at least the title of each Call Report item and

the reported amount. The cover page of the enclosed sample set of report forms should be photocopied and used to fulfill the signature and attestation requirement. The signed cover page should be attached to the Call Report that is placed in the bank's files. For assistance in submitting Call Reports to EDS, contact EDS toll free on (800) 255-1571.

Currently, Call Report preparation software products marketed by DBI Financial Systems, Inc.; DPSC Software, Inc.; Electronic Strategies, Inc.; Information Technology, Inc.; Milas LLC; and Sheshunoff Information Services, Inc., have been certified for electronic submission by EDS. Both Electronic Strategies' and Information Technology's software operate on mainframe computers while the other vendors' software products run on personal computers. The addresses and telephone numbers of the vendors with EDS-certified Call Report software are listed at the end of these Supplemental Instructions.

FFIEC Instruction Books

A complete revised Call Report instruction book was sent to each bank last year for use beginning with the reports for September 30, 1997. This book contains the instructions for all four versions of the Call Report forms (FFIEC 031, 032, 033, and 034) in a single volume. An instruction book update with pages dated 3-98 is enclosed with this Call Report package. If your bank has not received the revised instruction book or the initial update, copies may be obtained from the FDIC's Call Reports Analysis Section (telephone toll free on 800-688-FDIC) or from your Federal Reserve District Bank. The Call Report instruction book is available on both the FFIEC's Web site (www.ffiec.gov) and the FDIC's Web site (www.fdic.gov) and the 3-98 instruction book update is expected to be available on those sites by March 31, 1998.

Individual Retirement Accounts

When completing Schedule RC-E, Memoranda item 1.a, "Total Individual Retirement Accounts (IRAs) and Keogh Plan accounts," banks should report the total of all IRA and Keogh Plan deposits included in total deposits (in domestic offices). Banks should include in this item deposits held in the two new types of IRAs recently created under the Taxpayer Relief Act of 1997, the Roth IRA and the Educational IRA.

Reporting of Interest Rate Risk-Related Data

Banks report certain interest rate risk-related information on their investment securities in Schedule RC-B, "Securities," and on their loans and leases in Schedule RC-C, part I, "Loans and Leases." Please ensure that your bank follows footnotes 4, 5, and 6 to Schedule RC-B as they apply to Memorandum items 2.a, 2.b, and 2.c, respectively. Similarly, in Schedule RC-C, part I, your bank must follow the footnotes (footnotes 3 and 4 on the FFIEC 033 and 034; footnotes 2 and 3 on the FFIEC 031 and 032) as they apply to Memorandum items 2.a and 2.b on the FFIEC 034 and Memorandum items 3.a and 3.b on the FFIEC 031, 032, and 033.

In other words, each sum of the components of the maturity and repricing data for debt securities reported in Memorandum item 2.a, in Memorandum item 2.b, and in Memorandum item 2.c of Schedule RC-B plus any nonaccrual debt securities of the appropriate category included in Schedule RC-N, "Past Due and Nonaccrual Loans, Leases, and Other Assets," must foot to amounts reported in the body of Schedule RC-B. Likewise, each sum of the components of the maturity and repricing data for loans and leases reported in Memorandum item 2.a and in Memorandum item 2.b on the FFIEC 034 and reported in Memorandum item 3.a and in Memorandum item 3.b on the FFIEC 031, 032, and 033, after appropriate adjustments for

nonaccrual loans and leases included in Schedule RC-N, must foot to amounts reported in the body of Schedule RC-C, part I. Please refer to the instructions for these maturity and repricing items for further guidance.

FASB Statement No. 125

Financial Accounting Standards Board (FASB) Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," issued in June 1996 and amended in December 1996, provides accounting and reporting standards for these types of transactions. These standards are based on consistent application of a financial-components approach that focuses on control. This means that after a bank transfers financial assets, it recognizes the financial and servicing assets it controls and the liabilities it has incurred, removes financial assets from the balance sheet when control has been surrendered, and removes liabilities from the balance sheet when they have been extinguished. Statement No. 125 provides consistent standards for determining whether transfers of financial assets should be treated as sales or secured borrowings. The statement includes implementation guidance for the accounting for loan participations and syndications, repurchase agreements including "dollar rolls," transfers of receivables with recourse, servicing of financial assets, securitizations, and securities lending transactions.

In general, Statement No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. However, this accounting standard's provisions governing the accounting for secured borrowings and collateral and the accounting for repurchase agreement, dollar-roll, securities lending, and similar transactions are effective for transfers occurring after December 31, 1997. All of the provisions of Statement No. 125 must be applied prospectively, and earlier or retroactive application is not permitted.

Statement No. 125 also affects the accounting and reporting for servicing contracts in existence before January 1, 1997, and certain other financial assets held on January 1, 1997, that can be prepaid without the holder recovering substantially all of its recorded investment. Statement No. 125 also supersedes FASB Statement No. 122 on mortgage servicing.

Banks must adopt Statement No. 125 for Call Report purposes. ***Thus, each bank should ensure that it prepares its March 31, 1998, Call Report in accordance with this accounting standard.*** Glossary entries for "Transfers of financial assets," "Extinguishments of liabilities," and "Servicing assets and liabilities," which provide a summary of relevant provisions of this new accounting standard, are contained in the Call Report instruction book. A revised Glossary entry for "repurchase/resale agreements" and a new Glossary entry for "securities borrowing/lending transactions" are included in the instruction book update pages enclosed with this Call Report package. Banks are encouraged to consult with their outside accountants for assistance in implementing Statement No. 125.

GAAP as the Reporting Basis for the Call Report

When preparing your Call Report, your bank should follow generally accepted accounting principles (GAAP), including the specific reporting guidance that falls within the range of acceptable practice under GAAP (see page 11 of the General Instructions), for recognition and measurement purposes. However, banks must continue to follow the line item instructions in order to determine the specific Call Report line item on which assets, liabilities, income, expenses, and other items are to be reported.

Optional Regulatory Capital Worksheet

In item 3 of the Call Report's regulatory capital schedule (Schedule RC-R), banks report certain capital and asset amounts used in calculating capital ratios. To assist banks in accurately completing the items applicable to all institutions, an **optional** regulatory capital worksheet is enclosed with this Call Report package. Because of the limited number of banks subject to the market risk capital guidelines, the worksheet does not include any calculations pertaining to these guidelines. Banks are **not** required to use the optional worksheet. Banks may use any reasonable approach to determine the requested capital-related items that is consistent with their primary federal regulator's capital standards.

The optional regulatory capital worksheet for March 31, 1998, is expected to be available on both the FFIEC's Web site (www.ffiec.gov) and the FDIC's Web site (www.fdic.gov) by that date. **Beginning next quarter, the worksheet will be sent to banks only upon request.** It also is expected to remain available on the Internet.

Accounting for Income Taxes

All banks must report income taxes, including deferred taxes, in the Call Report in accordance with FASB Statement No. 109, "Accounting for Income Taxes," as discussed in the Glossary entry for "income taxes" in your Call Report instruction book. For assistance in calculating a reasonable estimate of year-to-date applicable income taxes, an **optional** worksheet geared toward smaller banks is **available upon request**. To request a copy of the worksheet, state member banks should contact their Federal Reserve District Bank. National and FDIC-supervised banks should telephone the FDIC's Call Reports Analysis Section in Washington, D.C., toll free on (800) 688-FDIC. In addition, the tax worksheet for March 31, 1998, is expected to be available on both the FFIEC's Web site (www.ffiec.gov) and the FDIC's Web site (www.fdic.gov) by that date.

Asset, Loan, and Other Size Tests

Certain Call Report schedules and items are to be completed only by banks that meet specified size tests. While most of these size tests are based on total assets, some are based on the volume of a bank's agricultural loans or on the total par/notional amount of certain off-balance sheet contracts. Unless otherwise indicated, the various size tests are based on total assets and other amounts as reported in the June 30, 1997, Report of Condition, not on amounts as of the current Call Report date.

Checklist/Preparer's Guide

A Report Preparer's Checklist/Guide has been included with each Call Report package. This checklist should be used as a guide for the verification by the bank of details and totals reported on the Call Report forms. The checklist should not be returned with the completed forms. Because the information contained in the checklist is incorporated into the Call Report software that banks use, **the checklist will be sent to banks only upon request beginning next quarter.**

Call Report Software Vendors

For information on available Call Report software, banks should contact:

DBI Financial Systems, Inc.
P.O. Box 60410
Santa Barbara, California 93160
Telephone: (800) 774-3279

DPSC Software, Inc.
23501 Park Sorrento, Suite 105
Calabasas, California 91302
Telephone: (800) 825-3772

Electronic Strategies, Inc.
2405 Schneider Avenue
Menomonie, Wisconsin 54751
Telephone: (715) 235-8420

Information Technology, Inc.
1345 Old Cheney Road
Lincoln, Nebraska 68512
Telephone: (402) 423-2682

Milas LLC
2936 Graceland Way
Glendale, California 91206
Telephone: (818) 247-4866

Sheshunoff Information Services, Inc.
P.O. Box 13203 Capitol Station
Austin, Texas 78711-3203
Telephone: (800) 505-8333

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