

## Attachment

**FFIEC**Federal Financial Institutions Examination Council  
Washington, D.C. 20006

CALL REPORT DATE: September 30, 2000

THIRD 2000 CALL, NUMBER 21

**SUPPLEMENTAL INSTRUCTIONS****September 2000 Call Report Materials**

The enclosed sample set of September 30, 2000, Call Report forms has been sent to your bank based, in most cases, 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, 1999, 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 September 30, 2000, report forms for reference. Sample forms also are available on both the FFIEC's Web site [www.ffiec.gov](http://www.ffiec.gov) and the FDIC's Web site [www.fdic.gov](http://www.fdic.gov). A paper copy of the Call Report forms, including the cover (signature) page, can be printed from the Web sites. In addition, banks that use Call Report software generally can print paper copies of blank forms from their software.

**Internet Web Address**

Banks with an Internet Web site or home page must report the primary Web address for their site as part of their Call Report submission. On the report forms, the location for disclosing this address is on the cover page below the FDIC Certificate Number. Web addresses should not exceed 75 characters in length. Web addresses reported on the Call Report are publicly available. Therefore, please ensure that you accurately report your Web address, if any. Do **not** provide an e-mail address in the space for the Web address.

The primary Internet Web address is the public Internet site address (also known as the Uniform Resource Locator or URL) that a bank's customer or potential customer enters into Internet browser software in order to find the first page of the bank's Web site. Examples are [www.bank.com](http://www.bank.com), [www.isp.com/bank/](http://www.isp.com/bank/), or [bank.isp.com](http://bank.isp.com). When entering your Web address on the Call Report, do not preface the Web address with <http://> because this is already included on the report form. If your bank does not have its own Web site or home page, but information on or functions of your bank can be accessed through an affiliate's Web address, please provide that affiliate's primary Web address. If your bank maintains more than one Web site, you should provide the Web address that best represents your institution.

If your bank has no Web site or home page of its own and the bank cannot be accessed through an affiliate's Web address, *please leave the Web address item blank.*

### **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' cover letter for the September 30, 2000, report date. Banks are no longer permitted to send completed hard-copy (paper) Call Report forms directly to the federal banking agencies. For assistance in submitting Call Reports to EDS, contact EDS toll free at (800) 255-1571.

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. Either the cover page of the enclosed sample set of report forms, a photocopy of the cover page, or a copy of the cover page printed from Call Report software or from the FFIEC's or the FDIC's Web site should be 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.

Currently, Call Report preparation software products marketed by DBI Financial Systems, Inc.; DPSC Software, Inc.; Information Technology, Inc.; Jack Henry & Associates, Inc. (Banker-II Data Center); Milas LLC; Sheshunoff Information Services; and S1 Corporation, FRS Unit America, have been certified for electronic submission by EDS. Both Information Technology's and Jack Henry & Associates' software operates 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 in 1997. When appropriate, the quarterly Call Report materials distributed to each bank include an instruction book update. This Call Report package does not contain an update to your instruction book. Your instruction book should include update pages dated 3-98, 6-98, 3-99, and 9-99. Copies of the revised instruction book and the updates may be obtained from the FDIC's Reports Analysis and Quality Control Section (telephone toll free at 800-688-FDIC) or from your Federal Reserve District Bank. The Call Report instructions are available on both the FFIEC's and the FDIC's Web sites.

### **Asset Securitization Activities**

The banking agencies jointly issued Interagency Guidelines on Asset Securitization on December 13, 1999. These guidelines highlight the risks associated with asset securitization and emphasize the agencies' concerns with certain retained interests generated from the securitization and sale of assets. The guidance addresses the fundamental risk management practices that should be in place at institutions that engage in securitization activity. The agencies noted that they had discovered significant weaknesses in the risk management processes at certain institutions. These weaknesses include inaccurate and insufficiently supported valuations of retained interests, incorrect reporting of securitization transactions in the Call Report, and failure to hold sufficient capital against recourse exposures.

Common regulatory reporting errors stemming from securitization activities include:

- Failure to recognize retained interests (including interest-only strips receivable) and retained subordinated securities as a form of credit enhancement. In these situations, the securitization transactions to which these credit enhancements relate are subject to recourse treatment as discussed in the Glossary entry for "Sales of Assets for Risk-Based Capital Purposes" in the Call Report instructions.
- Failure to include off-balance sheet securitized assets that are subject to recourse treatment in risk-based capital calculations.
- Failure to report the amount of loans and other financial assets sold with recourse or otherwise subject to recourse treatment and the amount of recourse exposure retained by the bank.
- Overvaluing retained interests.

If your bank is engaged in securitizations and other asset sale transactions, please ensure that these transactions are reported properly in the Call Report. For further information, please refer to the instructions for Schedule RC-F - Other Assets, item 3; Schedule RC-L - Off-Balance Sheet Items, item 9 and Memorandum item 5; Schedule RC-R - Regulatory Capital; and the Glossary entry for "Sales of Assets for Risk-Based Capital Purposes."

### **Proper Reporting of Sweep Arrangements Between Deposit Accounts**

In an effort to reduce their reserve requirements, some banks have established sweep arrangements that involve transfers of customers' deposits between two deposit accounts. In a typical arrangement, a bank creates a master account and two subaccounts: a transaction subaccount (either a demand deposit account or a NOW account) and a savings subaccount that is not a transaction account. Depending upon the balances in the two subaccounts on a particular day, the bank will sweep funds from the transaction subaccount to the savings subaccount or vice versa. On some days, the balance in the savings subaccount may be zero. (The savings subaccount may be an account defined for Call Report purposes as a money market deposit account (MMDA). However, for purposes of the Federal Reserve's Regulation D, there is no distinction between an MMDA and any other form of savings account in terms of legally required restrictions on transfers.)

Consistent with the reporting of these sweep arrangements for reserve requirement purposes, the transaction subaccount and savings subaccount must be treated separately for Call Report purposes when a bank reports its quarter-end deposit information in Schedules RC, RC-E, and RC-O, its quarterly averages in Schedule RC-K, and its interest expense (if any) in Schedule RI. Thus, when reporting quarterly averages in Schedule RC-K, a bank should include the amounts held in the transaction subaccounts (if interest-bearing) and the savings subaccounts each day or each week in the appropriate separate items for average deposits. In addition, if the bank pays interest on the accounts involved in sweep arrangements, the interest expense reported in Schedule RI should be allocated between the transaction subaccount and the savings subaccount based on the balances in these subaccounts during the reporting period.

### **FASB Statement No. 133**

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under Statement No. 133, banks must recognize all derivatives as either assets or liabilities on the balance sheet and must

measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a "fair value hedge," a "cash flow hedge," or a hedge of a foreign currency exposure of a net investment in a foreign operation. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.

Statement No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Earlier application of *all* of the provisions of this statement is encouraged by the FASB. Statement No. 133 contains further guidance on the initial application of this accounting standard. Piecemeal adoption of Statement No. 133 is not permitted. Banks must adopt Statement No. 133 for Call Report purposes upon its effective date based on their fiscal year. Early application is permitted in the Call Report in accordance with the transition guidance in Statement No. 133. Banks are encouraged to consult with their outside accountants as they plan to implement this new standard.

After a bank adopts Statement No. 133, its derivatives must be reported at fair value on the balance sheet (Schedule RC). Derivatives that are held for purposes other than trading that have positive fair values should be included in Schedule RC-F - Other Assets, item 4, "Other" assets, and itemized and described if their total fair value exceeds 25 percent of "Other" assets. Those held for purposes other than trading that have negative fair values should be included in Schedule RC-G - Other Liabilities, item 4, "Other" liabilities, and itemized and described if their fair value exceeds 25 percent of "Other" liabilities. Derivatives held for trading should continue to be reported in trading assets or trading liabilities, as appropriate, on the balance sheet (Schedule RC) and, if applicable, in Schedule RC-D - Trading Assets and Liabilities.

In addition, the bank should include any accumulated net gains (losses) on cash flow hedges on the balance sheet (Schedule RC) in item 26.c. The year-to-date change in these accumulated net gains (losses) on cash flow hedges should be reported in the changes in equity capital schedule (Schedule RI-A) in item 11.b. Any transition adjustments at the date of initial application of Statement No. 133 that must be reported as cumulative-effect-type adjustments of net income should be included in the income statement (Schedule RI) in item 11, "Extraordinary items and other adjustments, net of income taxes," and disclosed in Schedule RI-E - Explanations, item 3.a.(1).

The transition provisions of Statement No. 133 provide that at the date of initial application, a bank may transfer any debt security categorized as held-to-maturity into the available-for-sale category or the trading category without calling into question the bank's intent to hold other debt securities to maturity. Unrealized holding gains (losses) on transferred held-to-maturity debt securities must be included in the cumulative-effect-type adjustments of net income if transferred to the trading category or the adjustment to the change in net unrealized holding gains (losses) on available-for-sale securities if transferred to the available-for-sale category. Any security transferred from the held-to-maturity category on the date of adoption of Statement No. 133 and sold in the same fiscal quarter should have been transferred to the trading category, not the available-for-sale category. Thus, any unrealized gain (loss) on such a security that existed on the date of adoption should be reported in the Call Report income statement in Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes," and should not be included in the gain (loss) on the sale of the security in Schedule RI, item 6.b, "Realized gains (losses) on available-for-sale securities."

### **Optional Worksheets and Checklist**

Item 3 of Schedule RC-R -- Regulatory Capital requests certain capital and asset amounts used in calculating capital ratios. To assist banks in accurately providing this information,

an **optional** regulatory capital worksheet is available on request. 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.

In addition, for assistance in calculating year-to-date applicable income taxes in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, an **optional** worksheet geared toward smaller banks is available upon request. Also available upon request is a Report Preparer's Checklist, which banks can use to assist in verifying subtotals, totals, and tie-ins between schedules in the Call Report prior to its submission.

To request a copy of the optional worksheets or checklist, state member banks should contact their Federal Reserve District Bank. National and FDIC-supervised banks should telephone the FDIC's Reports Analysis and Quality Control Section in Washington, D.C., toll free at (800) 688-FDIC or call (202) 898-6607. The two optional worksheets for September 30, 2000, also are expected to be available on the FDIC's Web site 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 criteria. 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 derivative contracts. Unless otherwise indicated, the various tests are based on amounts reported in the June 30, 1999, Report of Condition, not on amounts as of the current Call Report date.

### **Call Report Software Vendors**

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

DBI Financial Systems, Inc.  
P.O. Box 90360  
Santa Barbara, California 93190  
Telephone: (800) 774-3279  
[www.e-dbi.com](http://www.e-dbi.com)

Information Technology, Inc.  
1345 Old Cheney Road  
Lincoln, Nebraska 68512  
Telephone: (402) 423-2682  
[www.itinw.net](http://www.itinw.net)

Sheshunoff Information Services  
P.O. Box 13203 Capitol Station  
Austin, Texas 78711  
Telephone: (800) 456-2340  
[www.sheshunoff.com](http://www.sheshunoff.com)

DPSC Software, Inc.  
27200 Agoura Road, Suite 100  
Calabasas Hills, California  
91301  
Telephone: (800) 825-3772  
[www.dpsoftware.com](http://www.dpsoftware.com)

Jack Henry & Associates, Inc.  
Banker-II Data Center  
2405 Schneider Avenue,  
Suite A  
Menomonie, Wisconsin 54751  
Telephone: (715) 235-8420

S1 Corporation, FRS Unit  
America  
2815 Coliseum Centre Drive,  
Suite 300  
Charlotte, North Carolina 28217  
Telephone: (704) 423-0394  
[www.s1.com](http://www.s1.com)

Milas LLC  
2936 Graceland Way  
Glendale, California 91206  
Telephone: (888) 862-7610