

# FFIEC

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

CALL REPORT DATE: March 31, 2001

FIRST 2001 CALL, NUMBER 215

## SUPPLEMENTAL INSTRUCTIONS

### March 2001 Call Report Materials

A sample set of the March 31, 2001, report form applicable to your bank is enclosed. Banks with domestic offices only must file the FFIEC 041 report form, which has replaced the former FFIEC 032, 033, and 034 report forms. Banks with domestic and foreign offices must file the FFIEC 031 report form.

Please retain the enclosed sample report form 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.

### FFIEC Instruction Books

Enclosed with this quarter's Call Report materials is an update to your Call Report instruction book. These revised instructions include the Table of Contents, General Instructions, and the line item instructions for all of the schedules in the Report of Income and the Report of Condition. ***Please replace these sections of your instruction book with the revised sections. Please retain the Glossary and Index that you currently have in your instruction book.*** A revised Glossary and Index are expected to be distributed to you in June.

Please note that the entry for "derivative contracts" currently contained in the Glossary has not been revised to reflect the provisions of Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. Until the revised Glossary is distributed, banks should follow Statement No. 133 for Call Report purposes rather than the guidance on the accounting treatment of derivatives contained in the current Glossary entry. A brief discussion of Statement No. 133 is presented below in these Supplemental Instructions.

Copies of the Call Report instructions 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.

### 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 March 31, 2001, 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.; Financial Architects US; 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. The addresses and telephone numbers of the vendors with EDS-certified Call Report software are listed at the end of these Supplemental Instructions.

### **Past Due and Nonaccrual Loans and Leases Held for Sale**

The category-by-category breakdown of a bank's loans and leases in Schedule RC-C, part I, includes loans and leases held for sale together with loans and leases that the bank has the intent and ability to hold for the foreseeable future or until maturity or payoff. Similarly, the coverage of the line items for loans and leases in Schedule RC-N - Past Due and Nonaccrual Loans, Leases, and Other Assets encompasses all loans and leases that are reported in Schedule RC-C, part I, regardless of the purpose for which they are held. Therefore, banks should include in the appropriate line items of Schedule RC-N all loans and leases reported in Schedule RC-C, part I, that are past due 30 days or more and still accruing or in nonaccrual status, including those that are held for sale.

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

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, is now in effect and must be adopted by banks for Call Report purposes. Banks are encouraged to consult with their outside accountants concerning their implementation of this accounting standard.

Statement No. 133 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.

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 5, "Other" assets, and, if the total fair value exceeds 25 percent of "Other" assets, this amount should be

disclosed in item 5.d. Derivatives 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, if the total fair value exceeds 25 percent of "Other" liabilities, this amount should be disclosed in item 4.d. 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.b, "Accumulated other comprehensive income." The year-to-date change in the accumulated net gains (losses) on cash flow hedges should be reported in the changes in equity capital schedule (Schedule RI-A) in item 10, "Other comprehensive income." 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 (January 1, 2001, for most banks) 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. Such a transfer may not be made after the date of initial application. Unrealized holding gains (losses) on transferred held-to-maturity debt securities on the date of initial application 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 be treated as having been transferred to the trading category, not the available-for-sale category.

### **FASB Statement No. 140**

In September 2000, the FASB adopted Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, as a replacement for FASB Statement No. 125, which has the same title. Statement No. 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral, but it carries over most of the provisions of Statement No. 125 without change.

Statement No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The statement is effective for recognition and reclassification of collateral for fiscal years ending after December 15, 2000. Banks must adopt Statement No. 140 for Call Report purposes in accordance with these effective dates. Banks are encouraged to consult with their outside accountants concerning their implementation of Statement No. 140.

### **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, www.isp.com/bank/, or 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.*

### **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, including retained interests that act as credit enhancements, in the Call Report; and failure to hold sufficient capital against recourse exposures.

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-S - Securitization and Asset Sale Activities, Memorandum items 1, 4, and 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.

### **Optional Tax Worksheet**

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. For a copy of this worksheet, 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 optional tax worksheet for March 31, 2001, also is expected to be available on the FDIC's Web site by that 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)

Financial Architects US  
35 Corporate Drive, 4th Floor  
Burlington, Massachusetts  
01803  
Telephone: (781) 685-4956  
[www.finarch.com](http://www.finarch.com)

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