



BANK REPORTS

FIL-18-2003
March 10, 2003

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: Revisions to the Reports of Condition and Income (Call Report)

The Federal Financial Institutions Examination Council (FFIEC) has approved a number of revisions to the Reports of Condition and Income (Call Report). The FFIEC is providing this advance notification to assist you in planning for these changes. The U.S. Office of Management and Budget (OMB) must approve these changes before they become final. On November 8, 2002, the federal banking agencies issued proposed Call Report revisions for public comment (see FIL-126-2002, dated November 21, 2002). After considering the comments received, the FFIEC approved the changes in reporting requirements that are described in the attached document. Because these reporting changes are, in general, targeted toward the small percentage of banks engaging in certain specific activities, the changes should not require most banks to provide additional information to the agencies in their Call Reports. These changes will take effect as of the March 31, 2003, report date and are illustrated in the attached sample set of first quarter FFIEC 041 report forms. In that Call Report, banks may report a reasonable estimate for any new or revised item for which the requested information is not readily available. The Call Report revisions include:

- adding five items dealing with accrued fees and finance charges on retail credit card accounts, allowances for uncollectible accrued fees and finance charges, and charge offs of such accrued amounts, which would be reported only by banks with a significant volume of credit card activity;
- splitting an item in the securitization schedule (Schedule RC-S) for seller-provided credit enhancements to the bank's securitization structures into separate items, one for on-balance sheet assets and another for other enhancements;
- separating the current income statement (Schedule RI) item for income from insurance activities into two items, one for insurance underwriting income and the other for income from other insurance activities, and clarifying certain instructions;
- adding a yes/no question asking whether any of the bank's Internet Web sites has transactional capability, i.e., allows the bank's customers to execute transactions on their accounts;
- extending to banks with less than \$100 million in assets the requirement to disclose the fair values of derivative contracts in Schedule RC-L - Derivatives and Off Balance Sheet Items, because current accounting standards require derivatives to be reported on the balance sheet at fair value; and
- changing where banks report any allocated transfer risk reserves and related provisions on the balance sheet (Schedule RC) and income statement (Schedule RI).

An instructional clarification will describe certain circumstances when loans should be reported as held for sale or held for investment. Other instructional revisions address foreclosed real estate and accrued interest receivable related to credit card securitizations. The agencies also will begin to collect contact information for the persons who are in charge of each bank's anti money laundering searches under Section 314(a) of the USA PATRIOT Act. This contact information will be used by the agencies and the Financial Crimes Enforcement Network (FinCEN) and will not be released to the public.

In addition, to improve the timeliness with which Call Report data become available to the public, the agencies will start posting the individual bank reports on the FDIC's Web site earlier than in the past. At present, all Call Reports are released to the public simultaneously

approximately 60 days after the report date. This change may begin as early as the first quarter 2003 Call Reports. The first quarter in which this Internet posting process is implemented, individual bank reports for which the agencies' analyses have been completed will be posted beginning the fifth Friday after the report date, e.g., May 2, 2003, for the March 31, 2003, report or August 1, 2003, for the June 30, 2003, report. Additional bank reports whose analyses have been completed will be posted each Friday thereafter. In quarters subsequent to the first quarter in which the early release of individual bank Call Report data to the Internet has been implemented, this posting process will start on the fourth Friday after the report date. Based on the agencies' experience in processing and analyzing Call Reports, about 1,500 or more individual bank reports would be placed on the FDIC's Web site on the initial posting date. Should the agencies decide to make individual banks' reports publicly available at an earlier date, banks will be notified in advance of such a change.

The FFIEC is continuing to evaluate three other elements of the agencies' November 2002 proposal in light of the comments received. Banks will be advised of the outcome of these proposals.

- The first is a reduction from 45 to 30 days in the Call Report filing period for banks with more than one foreign office. Because this issue remains under study, the agencies are deferring the date when any change in the filing deadline would take place until after the proposed June 30, 2003, effective date. However, as long as the current 45-day filing period remains in effect, the FDIC would be authorized to contact some of the banks with more than one foreign office on or about each May 1 and November 1 if their March 31 and September 30 reports have not been received in order to obtain certain deposit data needed to estimate insured deposits.
- The second is the creation of a Call Report supplement that would be used on an infrequent basis to collect a limited amount of data from certain banks in the event of an immediate and critical need for specific information.
- The third involves the establishment of criteria that a bank's Call Report would have to meet in order for the agencies to accept the report. These data quality criteria would be part of a new business model for collecting and validating Call Reports, the implementation of which is planned for next year.

In a separate proposal published on July 12, 2002, the agencies requested comment on the addition of a new Call Report schedule that would collect data on subprime consumer lending programs beginning March 31, 2003 (see FIL-81-2002, dated July 26, 2002). As previously announced by the FFIEC on January 7, 2003, the FFIEC and the agencies have decided not to implement this proposed Call Report schedule.

In recent months, the Financial Accounting Standards Board has issued two accounting interpretations of relevance to banks:

- Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; and*
- Interpretation No. 46, *Consolidation of Variable Interest Entities.*

Interpretation No. 45 applies to financial and performance standby letters of credit and certain other guarantees. Interpretation No. 46 applies to entities that are often referred to as special purpose entities. Banks are expected to follow these two interpretations when preparing their Call Reports. Please refer to the attached document for additional information on these interpretations.

Please forward this letter to the person responsible for preparing Call Reports at your bank. Call Report preparers should note that the first quarter 2003 Call Report materials will be mailed after OMB completes its review of the reporting changes, which is expected on or after April 3, 2003. In the interim, the attached sample set of first quarter report forms may be used for reference.

For further information or assistance, 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 (3342) or at (202) 898-6607, Monday through Friday between 8:00 a.m. and 5:00 p.m., Eastern Time.

Joanne M. Giese
Acting Executive Secretary

Attachments: [Revisions to the Reports of Condition and Income \(Call Report\) for 2003 Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only-FFIEC 041](#) (663Kb PDF file - [PDF help](#) or [hard copy](#))
[Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices-FFIEC 031](#) (659Kb PDF file - [PDF help](#) or [hard copy](#))

Distribution: Insured Commercial Banks and FDIC-Supervised Savings Banks

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342, option 5, or (703) 562-2200).

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