



FIL-7-2006
January 27, 2006

BANK REPORTS

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Revisions to the Reports of Condition and Income (Call Report)

The Federal Financial Institutions Examination Council (FFIEC) has approved revisions to the reporting requirements for the Reports of Condition and Income (Call Report) that will be phased in over the next two years. The FFIEC is providing this advance notification to assist you in planning for these changes. The U.S. Office of Management and Budget must approve these changes before they become final.

On August 23, 2005, the federal banking agencies requested comment on proposed Call Report revisions that would take effect as of the March 31, 2006, report date (see FIL-86-2005, dated September 1, 2005). Many of the commenters advised the agencies that this proposed implementation date would not provide sufficient lead time to make the systems changes that would be necessary for banks to report many of the new or revised data items that were included in the proposal. After considering the comments received, the FFIEC has modified some of the proposed changes and will stagger the effective dates of the revisions. The burden-reducing revisions included in the proposal will be implemented March 31, 2006, as proposed. As outlined below, the revision of existing items and the addition of new items will be spread over the period from March 31, 2006, through March 31, 2008.

The FFIEC's proposal also included revisions to the officer and director signature requirements, which are set forth on the cover page of the Call Report. In response to concerns expressed by commenters about these revisions, the agencies are not proceeding with the proposal to require that the directors who sign the Call Report be members of the bank's audit committee. The existing language of the directors' attestation statement will not be substantively revised. In addition, the proposal to require that both the chief executive officer and the chief financial officer of the bank sign the report has been modified so that only the chief financial officer (or the individual performing an equivalent function) must sign. This officer's attestation statement would not assert that the chief financial officer is responsible for establishing and maintaining adequate internal control over financial reporting as had been proposed. However, consistent with longstanding agency policies, a general statement that the bank's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the Call Report, would precede the attestations. The revised signature and attestation requirements will take effect September 30, 2006.

Under the time line adopted by the FFIEC for implementing the Call Report revisions, the changes that will take effect March 31, 2006, include eliminating for some or all banks existing items for estimated uninsured deposits, asset-backed securities held as investments, income from nontrading derivatives, and bankers acceptances; adding items for life insurance assets, types of credit derivatives, remaining maturities of credit derivatives, and certain foreclosed properties; and revising the reporting of income from international operations. As of September 30, 2006, items pertaining to Federal Home Loan Bank advances and other borrowings, nonaccrual assets, certain secured borrowings, residential mortgage banking activities, and certain amounts payable and receivable on credit derivatives will be added or revised. Effective March 31, 2007, revisions will be made to the reporting of lease financing receivables; income from annuity sales, investment banking, brokerage, and underwriting; and trading revenues by type of exposure. On that report date, new items will also be added for residential mortgage banking revenues and net gains (losses) on certain credit derivatives. Finally, beginning March 31, 2007, banks with \$300 million or more in assets and certain banks with less than \$300 million in assets will report two-way breakdowns of their real estate construction loans and their nonfarm nonresidential real estate loans in a number of Call Report schedules. All other banks with less than \$300 million in assets will begin to provide these loan breakdowns as of March 31, 2008.

To assist your bank in its preparation for these reporting changes, the attached document provides a more detailed explanation of these Call Report revisions and identifies the banks to which they apply. Draft copies of the FFIEC 031 and 041 report forms for March 31, 2006, are available on the FFIEC's Web site (http://www.ffiec.gov/ffiec_report_forms.htm). Drafts of the forms for September 30, 2006, and March 31, 2007, will be available in the near future.

In addition, please note that, for the March 31, 2006, report date only, banks may provide reasonable estimates for any new or revised item for which the requested information is not readily available. This same policy on the use of reasonable estimates will apply to the reporting of new or revised items when they are first implemented at subsequent report dates in 2006, 2007, and 2008.

Please forward this letter to the person responsible for preparing Call Reports at your bank. For further information or assistance, state member banks should contact their Federal Reserve District Bank. National banks and FDIC-supervised banks should telephone the FDIC's Data Collection and Analysis Section in Washington, D.C., by telephone at (800) 688-FDIC (3342), Monday through Friday between 8:00 a.m. and 5:00 p.m., Eastern Time, or by e-mail at insurance-research@fdic.gov.

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Executive Secretary

Attachment

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