

**TO ALL HOLDERS OF THE FFIEC INSTRUCTIONS -
CONSOLIDATED REPORTS OF CONDITION AND INCOME (CALL REPORT)**

The Call Report changes that take effect as of the March 31, 1997, report date include the adoption of generally accepted accounting principles (GAAP) as the reporting basis for the balance sheet, income statement, and related Call Report schedules. The FFIEC has also deleted several items and has combined some previously separate items in a number of Call Report schedules. In addition, the FFIEC has added or revised a few Call Report items this quarter to meet supervisory data needs resulting from the adoption of GAAP, to identify banks electing Subchapter S status for federal income tax purposes, to support the FDIC's calculation of banks' assessable deposits, and to determine the extent of bank usage of credit derivatives. The FFIEC also approved certain other instructional changes and clarifications. The revisions to the Call Reports for 1997 (including the reporting of revised interest rate risk information which takes effect as of June 30, 1997) were described in the FFIEC's Financial Institutions Letter (FIL) 109-96, dated December 31, 1996, a copy of which was sent to all banks.

The reporting changes for the first quarter of 1997, particularly the adoption of GAAP, have necessitated extensive revisions to the Call Report instruction book this quarter. However, because the overall number of instruction book update pages that can be included in the Call Report package mailed to each bank is limited, update pages for some first quarter changes which are believed to be self-explanatory have not been included in the following update pages. More specifically, for the following previously separate Call Report items that have been combined, update pages reflecting the combining of the two existing separate instructions into a single instruction have not been included in this quarter's update pages but will be distributed to banks by the June 30, 1997, report date:

Schedule RC -- Balance Sheet:

- o Item 3, "Federal funds sold and securities purchased under agreements to resell," which combines previous items 3.a and 3.b. (on a fully consolidated basis on the FFIEC 031).
- o Item 14, "Federal funds purchased and securities sold under agreements to repurchase," which combines previous items 14.a and 14.b. (on a fully consolidated basis on the FFIEC 031).
- o Item 16, "Other borrowed money," which combines previous items 16 and 17.
- o Item 19, "Subordinated notes and debentures," which combines previous items 19 and 22.

Schedule RC-E -- Deposit Liabilities:

- o Memorandum item 2.c, "Total time deposits of \$100,000 or more," which combines previous Memorandum items 2.c and 2.d. Update pages to incorporate corresponding changes to the coverage of the items for the interest expense on and the quarterly averages for time deposits in Schedules RI and RC-K, respectively, also have not been included.

Schedule RC-H -- Selected Balance Sheet Items for Domestic Offices (FFIEC 031 only):

- o Item 16.a, "Investments in mutual funds and other equity securities with readily determinable fair values," which combines previous items 16.a and 16.b.

Schedule RC-R -- Regulatory Capital:

- o Item 4.a, "Assets recorded on the balance sheet" assigned to the zero percent risk category, which combines previous items 4.a.(1) and 4.a.(2).
- o Item 5.a, "Assets recorded on the balance sheet" assigned to the 20 percent risk category, which combines previous items 5.a.(1), 5.a.(2), and 5.a.(3).

Schedule RI -- Income Statement:

- o Item 2.c, "Interest on demand notes issued to the U.S. Treasury, trading liabilities, and other borrowed money," which combines previous items 2.c and 2.d.
- o Item 11, "Extraordinary items and other adjustments, net of income taxes," which combines previous items 11.a, 11.b, and 11.c.

In addition, a revised Glossary entry for "Reciprocal Balances" is included in the following update pages, but update pages conforming the discussion of reciprocal balances in the instructions for Schedule RC-E, Schedule RC on the FFIEC 034, and Schedule RC-A on the FFIEC 031, 032, and 033 to the revised Glossary entry are not included at this time. Banks should follow the guidance on reciprocal balances in the revised Glossary entry.

When updating your instruction book, please follow the directions at the top of the first page of each related group of update pages for guidance on where to place these pages in your book. Additions and other changes to the instructions are denoted by a vertical line to the right of the new or revised text.