November 17, 2015

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attention "1557-0081, FFIEC 031 and 041"
400 7th Street SW
Suite 3E-218
Mail Stop 9W-11
Washington DC 20219
prainfo@occ.treas.gov

Robert DeV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551
Reg.comments@federalreserve.gov
FFIEC 031 and FFIEC 041

Gary A. Kuiper, Counsel
Attention: Comments
Room MB-3074
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, D.C. 20429
comments@FDIC.gov

Comments on: FFIEC 031 and FFIEC 041

Ladies and Gentlemen:

Invictus Consulting Group LLC (Invictus) welcomes the opportunity to comment on the aforementioned "FFIEC 031 and FFIEC 041." Invictus is an advisory firm specializing in corporate strategy, strategic planning, and Merger & Acquisition advice to a range of banks. Additionally, we apply our unique analytics to public data to generate information for use in our practice and also for sale to third parties such as Director and Officer Liability Underwriters, institutional investors, regulators, accountants, lawyers, corporate treasurers, and investment bankers.

Invictus was founded in the peak of the subprime crisis in 2008 and has evolved by adopting its long-vetted stress testing concepts measuring capital adequacy to today's significant banking challenges: growing loans, increasing margins, creating a stable capital and depositor base, and improving operating efficiency. Using public data including FFIEC 031 and FFIEC 041, we stress test every bank in the country every quarter. The information we derive is crucial to the C-Level executives of our bank client base for strategic planning and M&A activities. Our analytics provide the best — and often times the only — benchmarks available for post-stress performance of competitors, peers, and geographic regions. This information is crucial in the development and implementation of their respective strategies, how they fare versus their direct geographical competition, and where they rank on a state and regional basis. We also provide certain state bank regulators very detailed reports on banks under their jurisdiction.

The United States is unique in the world in having both the most financial institutions and the largest-sized. Only the transparency of consistent reporting enables regulators to monitor bank health, investors to monitor bank performance, and bank executives to monitor their competition.

In contrast—it is no secret that the regulatory requirements add considerable reporting, operations and management cost. Smaller banks particularly struggle to comply with the sheer amount of regulation. However, the complexity and size of banks runs the gamut from trillion dollar institutions to small agriculture banks servicing their local communities. One size does not fit all.

We applaud the effort of the above-addressed regulators in eliminating redundant or elsewhere-sourced information and attempting to streamline and modernize the key FFIEC 31 and 41 reports, the main source of publicly available information on individual banks.

Specifically we offer the following observations:

Increase in Time Deposit Size Threshold.

We believe this change to Section RC-E will enhance the quality of the reporting while simplifying the data collection work for the banks. The changes made to the maximum deposit insurance under Section 335 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") have made the dynamics of reporting out of step with reality. The previous maximum amount of $100,000, while still an important number for banks for the management of the "jumbo deposits," is less relevant as it pertains to an analysis of deposit health and liquidity. Analysts and regulators both have had to make certain assumptions to bring unity to the interest expense per category relative to the size of the deposits in the size category.

Clarification of Reporting Home Equity Lines that Convert from Revolving to Non-Revolving Status

We believe that this clarification will help provide consistency across banks by providing guidance to section RC-C in how to classify the aforementioned loans. Inconsistency makes the analysis across banks more difficult for both regulators and analysts. The changes are timely.

New Reporting Thresholds and Increases in Existing Reporting Thresholds

We believe that most of the proposed changes to Section RC-F, RC-G, and RC-Q represent a cost savings to banks without a loss of information content that may be statistically insignificant. However, we believe that the thresholds in RI-E to "Other non-interest income" and "Other non-interest expense" categories should remain at $25,000. Non-interest income and expenses can be significant components of a bank's business. This is more prevalent among larger banks than smaller ones. However, for smaller banks the categories of those non-interest items is an important indicator of the activity of the bank, its style and management ability. While generally it is the aggregate amount of these non-interest items to net interest revenue that is an important ratio, the components provide regulators with a clearer insight into the activities of a bank. Banks are/should be capturing this information in their internal accounting systems and therefore shouldn't represent any additional elements in reporting.

Deletions of Existing Data Items

We believe that the majority of the proposed changes will ease the reporting burden on smaller banks without any significant loss of information. Primarily, we agree with the proposed changes to Sections RC-C, RC-M, RC-N, and RC-R Part II. However, we believe that the proposed changes to Section RI items 14.a and 14.b will delete important information about the performance of the bank's securities portfolios and how a bank recognizes the OTTI impairments.

Conclusion

In conclusion, Invictus would like to express its support to the governmental agencies in implementing the changes proposed. Solid consistent reporting will continue to make the banking environment stronger, increase consumer confidence, and allow the senior management of banks to make more informed strategic decisions.

Please feel free to contact us directly if you have any questions.

Sincerely,

Leonard J. DeRoma
Founder, Managing Partner and
Chief Financial Officer

330 MADISON AVENUE, SUITE 605, NEW YORK, NY 10017 | PH 212.661.1999 www.InvictusGrp.com