
From: Robert Strand <Rstrand@aba.com>
Sent: Friday, May 24, 2013 2:54 PM
To: Comments
Cc: Ciardi, Scott S.; Storch, Robert; Alison Touhey
Subject: Consolidated Reports of Condition and Income, 3064-0052, 78 Federal Register 30923, May 23, 2013

Dear Sirs:

The following is in regard to Call Report changes with respect to data collection for FDIC Large Bank Pricing (LBP). In a notice issued this week, the Banking Agencies indicate that the revised Call Report Instructions for Schedule RC-O Memorandum item 9 will exempt from the definition of "higher-risk C&I loans and securities" loans to individuals for commercial, industrial, and professional purposes. This provision will continue the exemption in prior Call Report Instructions for "leveraged loans and securities." Banks subject to LBP appreciate recognition of the fact that the data required to make such evaluations is generally unavailable, and that this exemption will have no meaningful impact on LBP banks' assessments. At issue is the statement that "the definition of higher-risk C&I loans will not exclude loans to sole proprietorships . . ." (78 FR 30926, May 23, 2013).

A sole proprietorship is legally and financially identical to the individual owner. To quote the U.S. Small Business Administration, "A sole proprietorship is an unincorporated business owned and run by one individual with no distinction between the business and you, the owner." (www.sba.gov/content/sole-proprietorship-0) Therefore, a principle that applies to "individuals for commercial, industrial and professional purposes" should, by definition, apply to sole proprietorships. To avoid confusion, the forthcoming revised Call Report Instructions should not indicate that "the definition of higher-risk C&I loans will not exclude loans to sole proprietorships."

Note that, while exemption for loans to sole proprietorships is appropriate, LBP bankers do not disagree with the determination in the notice that loans to partnerships will not be excluded from the "higher-risk" definition. The point about sole proprietorships does not extend to partnerships.

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