**From:** s
**To:** Comments
**Subject:** August 15, 2016 - FFIEC 031, FFIEC 041, and FFIEC 051
**Date:** Friday, October 14, 2016 2:03:51 PM

I would like to comment, on behalf of Sound Community Bank, on FFIEC 031, 041 and 051, respectively.

First of all, I want to extend our appreciation for your efforts to streamline and reduce the reporting burden for Community Banks. I would suggest that the $1 billion threshold for banks to be eligible to file form FFIEC 051 should be increased to a higher level based on the complexity of the institution.

While efforts to reduce the number of data fields required to complete the call report are also appreciated, I would like to point out that the challenges for smaller banks in completing the report relate primarily to the *complexity* of the schedules and instructions.

In considering the level of understanding and the time required to complete the report relative to the benefits derived from the results, I believe that schedule RC-R should also be considered further for reductions or modifications on form FFIEC 051.

Many banks, including ours, use software which is integrated with our core data processing system. This software frequently streamlines the process and reduces the amount of time it takes to prepare the call report. It also helps to ensure consistency of reporting from quarter to quarter.

In completing the Call Reports for the past three quarters there a significant increase in the time it took to complete the report, especially Schedule RC-R. When preparing this schedule, we must manually review and identify certain information in order to comply with the instructions. This pertains primarily to risk weighted assets eligible for 50% risk weighting as well as for off balance sheet items such as unfunded commitments to lend. We do not feel that this additional information provides any significant benefit in evaluating risk based capital. Using these complex methods to evaluate the capital levels for smaller institutions does not enhance the evaluation of the safety and soundness of these institutions. In fact, it may make it more difficult to actually understand the risk within the institution, if the focus is on areas that do not represent the highest levels of risk. Tangible Tier 1 capital is a more than sufficient way for evaluating the capital levels of a Community Bank. If Risk Based Capital is to be used as another measure for evaluating these institutions, the process for calculating Risk Based Assets should be simplified.

Finally, a clarification of the reporting instructions for Schedule RC-R would also be helpful.

Many times the instructions refer to sections of various other regulations which requires additional time and research to determine what is to be reported. If the instructions themselves could clearly spell out what needs to be reported, it would improve the process for bankers and field examiners alike. When there is a lack of clarity in the instructions, they can be interpreted differently by different examiners. When new examiners come to perform and examination of the bank, if they have a different interpretation than the previous examiners, it can lead to confusion about what actually needs to be reported, which can lead to management findings.

I appreciate your consideration of these matters.

Regards,

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