Winter 2012 | Issue 5

4 REPORTERS

KEEPING FOURTH DISTRICT INSTITUTIONS UP-TO-DATE ON REGULATORY REPORTING

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**Links to external documents are shown in blue.*

Upcoming Proposed Call Report Changes

A limited number of revisions to the Call Report requirements are proposed for 2012. The proposed new data items would be added to the Call Report as of the June 30, 2012, report date, except for two proposed revisions that would take effect March 31, 2012, in connection with the initial filing of Call Reports by savings associations. The focus is on institutions' lending activities and credit risk exposure. Enhanced data items include the composition of allowance for loan and lease losses (ALLL), quarter-end loan amounts originated during the quarter, past due and nonaccrual purchased credit-impaired loans, and representation and warranty reserves associated with mortgage loan sales.

The proposed changes include:

- New Schedule RI-C, Disaggregated Data on the Allowance for Loan and Lease Losses – Institutions with total assets of $1 billion or more would report a breakdown by key loan category, the end-of-period ALLL disaggregated on the basis of impairment method, and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance.
- New Schedule RC-U, Loan Origination Activity – Institutions with total assets of $300 million or more would report for specific loan categories the quarter-end amount of loans originated during the quarter. Institutions with total assets of $1 billion or more would report for specific loan categories the portions of the quarter-end amount of loans that were originated under a newly established loan commitment and not originated under a loan commitment.
- New Memoranda items in Schedule RC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets– Institutions would report the total outstanding balance and related carrying amount of purchased credit-impaired loans accounted for under ASC 310-30 that are past due 30 through 89 days and still accruing, past due 90 days or more and still accruing, and in nonaccrual status.
- New items in Schedule RC-P, 1–4 Family Residential Mortgage Banking Activities – Institutions with $1 billion or more in total assets and smaller institutions with significant mortgage banking activities would report the amount of representation and warranty reserves for 1–4 family residential mortgages sold, with separate disclosure of reserves for representations and warranties made to U.S. government and government-sponsored agencies and to other parties.
- New items in Schedule RC-M, Memoranda – Savings associations and certain state savings and cooperative banks would report on the test and resulting compliance with the Qualified Thrift Lender requirement.
- Revisions to two existing items in Schedule RC-R, Regulatory Capital – Revisions to the calculation of the leverage ratio denominator to accommodate certain differences between the regulatory capital standards that apply to leverage capital ratios for banks versus savings associations.
- Instructional revisions addressing - Discontinued use of specific valuation allowances by savings associations with the filing of the Call Report; reporting of the number of accounts of $250,000 or less in Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, by institutions that have issued certain brokered deposits; and accounting and reporting treatment for capital contributions in the form of cash or notes receivable.

Public comments on the proposed revisions will be accepted through January 20, 2012, by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

Please visit the Federal eRulemaking Portal to review the complete proposal and to follow the instructions for submitting comments.

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Let us know what YOU THINK

Are there topics you would like to see included in future 4Reporters publications?

Would you like additional information on a topic included in this publication?

Do you have general comments on the content?

Send us an email at Cleveland mailto:Statistics.Newsletter@clev.frb.org

Goodwill Impairment Testing

The FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other. The ASU's amendments to ASC Topic 350 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Institutions should adopt ASU 2011-08 for Call Report purposes in accordance with the standard's effective date and early adoption provisions.

Under ASU 2011-08, an institution has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, an institution determines a likelihood of more than 50 percent that the fair value of a reporting unit is greater than its carrying amount (including goodwill), then the institution would not have to test the unit's goodwill for impairment. If it is concluded that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the institution is required to perform the first step, and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, an institution may elect to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

For examples of events and circumstances to use for assessing qualitative factors and additional information, please refer to ASU 2011-08.

Volcker Rule

The "Volcker Rule" requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act Section 619 focus primarily on two prohibitions. First, the regulation prohibits insured depository institutions, bank holding companies, and their subsidiaries or affiliates (banking entities) from engaging in short-term proprietary trading of any security, derivative, and certain other financial instruments for banking entity's own account, subject to certain exemptions. Second, the regulation prohibits owning, sponsoring, or having certain relationships with a hedge fund or private equity fund, subject to certain exemptions.

The proposal, which was developed jointly with the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, and the Commodity Futures Trading Commission, clarifies the scope of the act's prohibitions and, consistent with statutory authority, provides certain exemptions to these prohibitions.

Public comments on the proposal will be accepted through January 13, 2012. Please visit the Board of Governors of the Federal Reserve System website for the complete proposal and the link to submit comments.

Upcoming Changes Proposed for the Survey of Terms of Lending Report: FR 2028A, FR 2028B, and FR 2028S.

The Federal Reserve proposes to revise the FR 2028A by adding four columns:

- A data item to denote if the loan was guaranteed by the Small Business Administration
- A data item to indicate if the loan was made under either participation or syndication

www.clevelandfed.org

Forefront

Coming Soon to *Forefront*, the Federal Reserve Bank of Cleveland's policy magazine

In November, the Federal Reserve Bank of Cleveland invited three scholars of finance and economics to talk about the virtues and pitfalls of bank capital regulation. Their insights helped shed light on how raising capital requirements might make a large difference in the durability of financial institutions—and why even in the day of Dodd-Frank and Basel III, adopting heightened standards remains necessary, even if difficult to achieve. Coming soon to www.clevelandfed.org/forefront.

- The RSSD ID of the branch that originated each loan
- The loan origination fee in dollars

The Federal Reserve further proposes to raise the minimum loan size reported from $7,500 to $10,000 on the FR 2028A report. The minimum loan size on the FR 2028B will remain $3,000, as the mean and median loan sizes reported on that survey are significantly smaller than those reported on the business loan survey. The Federal Reserve proposes to revise the FR 2028B by also adding a column to collect the RSSD ID of the branch that originated each loan. The proposed revisions will NOT be implemented in February of 2012. We will keep you updated on the date these changes will take effect. No changes are proposed to the FR 2028S. Please click here for additional information pertaining to the proposed changes.

FR 2900 Weekly Reporting Reminder

The information provided in the FR 2900 is used in aggregate by the Federal Reserve Board of Governors and the Federal Open Market Committee in the formulation of monetary policy. Because this data is so valuable, it is important that **it is received by noon on the Wednesday following the report as-of date**. This allows sufficient time to analyze the data and ensure that end users receive the data in time for the publication of statistical releases. If you are interested in how this data is used in statistical releases, specifically the H.6 Monetary Stock Measure release, please click **here**. You can also click **here** to find information about, but not limited to, reserve maintenance periods and the Reserve Maintenance Manual.

FR Y-6 Reminder

If your fiscal year end is December 31, 2011, you are reminded that the FR Y-6, Annual Report of Bank Holding Companies, is due to the Federal Reserve Bank of Cleveland by March 31, 2012. One copy is required and can be emailed with signed cover page and branch verification to structure@clev.frb.org. In addition, please submit a FR Y-10 for any change found on the branch verification that resulted from a reportable event occurrence.

If seeking confidentiality for any section of the report that is believed to be exempt from disclosure under FOIA, Reporters must submit a request for confidential treatment at the time of filing. This is required even if they previously requested (and were or were not accorded) confidential treatment for the same information as filed on a previous FR Y-6 report or as otherwise provided to the Board. Please see the report instructions for further details.

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Please click here to access the report form and instructions. Please see Appendix A of the instructions for a sample report.