Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

Board of Governors of the Federal Reserve System

June 14, 2006

Guidelines for Resolving Edits

Background

The Federal Financial Institutions Examination Council (FFIEC) Call Report Agencies are implementing the new Central Data Repository (CDR) to improve the process for collecting, validating, and distributing Call Report data (information contained in the quarterly Reports of Income and Condition) that all insured banks are required to submit.[1]

After system implementation, all banks will be required to transmit their Call Report data to the CDR via the Internet. FFIEC edit criteria are used to validate the Call Report data, and banks must correct reporting errors identified by those criteria.

The FFIEC will make edit criteria publicly available both to banks and to vendors that market software used to prepare Call Report data, so that banks can identify and correct errors before submitting their Call Report data.[2]

The new business model will require banks to complete the edit resolution process before their data are accepted by the CDR. Therefore, banks may need to begin their Call Report preparations earlier to ensure that their data are submitted on time.

The Agencies will accept Call Report data only if they meet the edit resolution requirements described in this document. If Call Report data are incorrect or required explanations are not provided, the CDR will reject the data and require the bank to make the appropriate corrections and resubmit the data.

There are three types of edit criteria: Reportability edits, Validity edits and Quality edits. Reportability edits flag Call Report data that was not reported by a bank but should have been. Validity edits flag Call Report data that have mathematical errors and discrepancies or factual inconsistencies. Quality edits flag conditions that may indicate reporting errors. The Agencies require banks to provide data for all items that fail reportability edits, to correct all data that fail validity edits and to either correct or explain all conditions identified by quality edits. These guidelines explain how to prepare the required explanations for reporting conditions flagged by quality edits that are not actual reporting errors, describe the types of information the Agencies expect in written explanations, and discuss how to handle corrections to prior-period data. Explanations to quality edits will remain confidential within the Agencies (and any applicable state bank supervisory agency).

[1] The FFIEC Call Report Agencies have contracted with the Unisys Corporation to build and maintain the CDR. The FFIEC Agencies and Unisys are working with Call Report software vendors to ensure that the necessary reporting software will be available to banks.

[2] The FFIEC edit criteria are available at www.ffiec.gov/find/dataaccess.htm.

The banks must submit acceptable Call Report data by the deadline date.[3] The new business model will enable the Agencies to release individual bank Call Report data to the public once the data are accepted by the CDR. After receipt of a bank's data, Call Report analysts will review any edit explanations to ensure that each explanation is sufficient, accurate, and complete. Analysts may contact banks at a later date if clarifications or data resubmissions are necessary. However, individual bank Call Report data will not be released to the public immediately upon acceptance by the CDR until banks and the Agencies have gained experience with the new edit resolution process.

The FFIEC expects timely responses to resubmission requests, regardless of whether the requests are for changes in the written explanations or for amendments to quantitative values. Should Call Report preparers have questions about any edits, they are encouraged to contact their Call Report analyst before submitting their Call Report data.

Reportability Edits

Reportability edits are used to flag items that should have been reported but were not. For example, all banks are expected to provide a value (positive number, negative number or zero) for the provision for loan and lease losses and failure to provide a value for this item will cause an edit flag. The CDR will require banks to provide data for all items flagged by reportability edits before it will accept the Call Report data. These edits use the Reportability Concept values in the table on the following page to determine all the Call Reports items each bank is required to complete.

Values for these concepts will be calculated at each quarter-end from the Federal Reserve Board structure database and from previously reported Call Report information. Beginning in June 2006, this information will be available to vendors and bank's via CDR Web Services. Please review this information for accuracy as incorrect information may affect the ability of the CDR to accept your bank's Call Report data. Please contact your analyst with any questions about these items or their values.

[3] For a definition of the submission date, see FFIEC "Instructions for Preparation of 031 and 041," at www.ffiec.gov/forms031.htm.

Reportability Concepts

Concept Name	Description	Value
RCONA901	DURING THE CALENDAR QUARTER, DID THE INSTITUTION ACQUIRE ASSETS OR LIABILITIES THROUGH A BUSINESS COMBINATION OR BRANCH ACQUISITION, OR DID THE INSTITUTION COMMENCE BUSINESS AS A NEW INSTITUTION?	
RCONC587	AT ANY TIME DURING THE CALENDAR YEAR, DID THE INSTITUTION HAVE AN INTERNATIONAL BANKING FACILITY (IBF) ESTABLISHED IN ACCORDANCE WITH THE TERMS OF FEDERAL REGULATION D?	
RCONC588	AT ANY TIME DURING CALENDAR YEAR, DID THE INSTITUTION HAVE AN EDGE OR AGREEMENT CORPORATION ORGANIZED UNDER SECTION 25 OF THE FEDERAL RESERVE ACT AND SUBJECT TO FEDERAL REGULATION K?	
RCONC589	WHAT IS THE NUMBER OF EDGE OR AGREEMENT CORPORATIONS OWNED BY THE INSTITUTION AS OF THE REPORT DATE?	
RCONC590	DID INSTITUTION HAVE AN ACTIVE FOREIGN OFFICE DURING THE CALENDAR YEAR?	
RCONC591	WHAT IS THE TOTAL NUMBER OF BRANCHES OR CONSOLIDATED SUBSIDIARIES (OTHER THAN "SHELL" BRANCHES) OWNED BY THE INSTITUTION IN FOREIGN COUNTRIES, PUERTO RICO, OR U.S. TERRITORIES OR POSSESSIONS AS OF THE REPORT DATE?	
RCONC592	DID THE INSTITUTION EVER SHIFT ITS REPORTING STATUS BECAUSE THE ASSETS EXCEEDED $300 MILLION AS OF JUNE 30, OF ANY PREVIOUS YEAR; OR DID THE INSTITUTION EVER SHIFT ITS REPORTING STATUS AS A RESULT OF A BUSINESS COMBINATION OR BRANCH ACQUISITION THAT CAUSED TOTAL ASSETS TO EXCEED $300 MILLION?	
RCONC593	DID THE INSTITUTION EVER SHIFT ITS REPORTING STATUS BECAUSE THE ASSETS EXCEEDED $100 MILLION AS OF JUNE 30, OF ANY PREVIOUS YEAR; OR DID THE INSTITUTION EVER SHIFT ITS REPORTING STATUS AS OF A RESULT OF A BUSINESS COMBINATION OR BRANCH ACQUISITION THAT CAUSED TOTAL ASSETS TO EXCEED $100 MILLION?	
RCONC594	DID INSTITUTION HAVE AN ACTIVE FOREIGN BRANCH DURING THE CALENDAR YEAR?	
RCONC595	WHAT IS THE NUMBER OF FOREIGN BRANCHES (OTHER THAN "SHELL" BRANCHES) OWNED BY THE INSTITUTION AS OF THE REPORT DATE?	
RCONC596	DID INSTITUTION HAVE AN ACTIVE FOREIGN CONSOLIDATED SUBSIDIARY DURING THE CALENDAR YEAR?	
RCONC597	WHAT IS THE NUMBER OF FOREIGN CONSOLIDATED SUBSIDIARIES OWNED BY THE INSTITUTION?	
RCONC695	IS THE INSTITUTION CONSIDERED TO BE A CREDIT CARD SPECIALTY BANK SOLEY FROM ITS RELATIONSHIP WITH AFFILIATED DEPOSITORY INSTITUTIONS WHICH, ON A COMBINED BASIS REPORT OUTSTANDING CREDIT CARD RECEIVABLES THAT EXCEED, IN THE AGGREGATE, $500 MILLION AS OF REPORT DATE?	
RCONC885	DID THE INSTITUTION HAVE TOTAL ASSETS EXCEEDING $1 BILLION AS OF JUNE 30, OF THE PRECEEDING YEAR? OR, DUE TO A START-UP, ACQUISITION, OR BUSINESS COMBINATION, DID THE INSTITUTION HAVE TOTAL ASSETS EXCEEDING $1 BILLION AS OF CURRENT QUARTER-END? (ONCE A BANK SURPASSES THE REPORTING THRESHOLD AND BEGINS TO REPORT THE ADDITIONAL REQUIRED INFORMATION, IT MUST CONTINUE TO REPORT THE ADDITIONAL INFORMATION IN SUBSEQUENT YEARS WITHOUT REGARD TO WHETHER IT LATER FALLS BELOW THE TOTAL ASSET THRESHOLD)	

Validity Edits

Validity edits flag mathematical discrepancies or factual inconsistencies within or between reporting schedules. For example, a mathematical discrepancy occurs when the sum of non-interest-bearing deposits (Schedule RC, item 13.a(1)) plus interest-bearing deposits (Schedule RC, item13.a(2)) does not equal total deposits (Schedule RC, item 13(a)). The CDR will require banks to correct all outstanding validity edits before it will accept the Call Report data. No provisions exist for supplying written explanations for validity edits. Rather, Call Report preparers should make appropriate corrections to the data before they are transmitted to the CDR.

If not able to resolve a validity edit, the Call Report preparer should contact the assigned Call Report analyst.

Quality Edits

Quality edits flag unusual conditions that indicate a possible error or an unexpected or unanticipated relationship. For example, banks that report transaction deposit accounts (Schedule RC-E, item 7, Column A) are also likely to report demand deposits (Schedule RC-E, item 7, Column B). If a bank does not report demand deposits in Column B, a quality edit will alert the preparer to the possible error.

When a quality edit identifies an actual error, the information must be corrected before submitting the Call Report data. If, however, the data flagged by the quality edit are correct, then an explanation must be given of why the condition does not require a change. This is accomplished by (1) providing a predefined edit explanation and (2) providing a narrative comment (see the section "Predefined Edit Explanations and Narrative Comments.")

Banks must submit written edit explanations with the Call Report data. Once the CDR receives Call Report data with narrative explanations for all outstanding quality edit exceptions and with no outstanding reportability or validity edit failures, the data are accepted and, after experience has been gained with this edit resolution process, published.

The narrative explanations are not disclosed to the public. They represent confidential communications with the Agencies (and any applicable state bank supervisory agency).

Call Report analysts will review narrative explanations to see that each one is sufficient, accurate, and complete. This review is an ongoing analysis that will extend beyond the submission date and will not, in and of itself, delay publication of the data. Analysts may contact banks at a later date should additional clarifications become necessary. The analyst will continue to have discretion in determining whether an explanation is acceptable. If explanations are inaccurate, incomplete, or otherwise unacceptable, analysts will require banks to resubmit their data, revised explanations, or both. The FFIEC expects a timely response to resubmission requests, including requests for changes in written explanations and for changes to the quantitative values. If Call Report preparers have questions about validity edits or quality edits, they should contact their Call Report analyst.

Prior-Period Data Corrections

A quality edit may flag inconsistent data between reporting periods. For example, the data reported in the current period are correct, but an amendment to prior-period data is needed to resolve the edit. Banks should make every effort to correct the prior-period data before transmitting their current-period data**. When submitting prior-period data, banks should**

correct and resubmit the earliest data and then submitting the data for the most recent period. However, when errors are historical in nature (that is, they affect more than one quarter); banks should contact their Call Report analysts.

In the case of prior-period discrepancies triggering quality edits in the current period, the CDR will accept the current-period data provided that there are no outstanding validity edits and that each quality edit contains a selected predefined explanation (if provided) accompanied by a written comment. The comment should focus on explaining (1) what the prior-period error is and (2) how the discrepancy will be resolved. If the prior-period data cannot be amended before the submission deadline date, Call Report preparers should clearly state in their written explanations that a prior-period amendment is pending, and they should provide a projected timeframe of when they plan to transmit the amendment. For questions on amendments to prior-period data, a bank should consult its Call Report analyst.

Amendments to quarterly data submitted after implementation of the CDR must be transmitted via the Internet, directly to the system. Amendments to quarterly data submitted prior to implementation must be sent via e-mail or fax to the assigned Call Report analyst. For questions on amending data for prior periods, a bank should consult its Call Report analyst. The FFIEC expects timely responses to requests for amendments and resubmissions.

Predefined Edit Explanations and Narrative Comments

For some quality edits, predefined edit explanations are provided in the software to help preparers explain why a condition identified by the edit does not require a change to the data. However, selecting a predefined edit explanation does not eliminate the need to provide a written narrative comment. A written comment must accompany each outstanding quality edit exception and support the selected explanation.

The following are examples of potential predefined edit explanations that might be associated with edits for prior-period consistency:

1 Reporting for this item has changed from last quarter. Bank does not plan to amend prior-period Call Report data. See explanation.
2 Reporting for this item has changed from last quarter. Bank intends to amend prior-period Call Report data. See explanation.
3 Reporting has not changed. See written explanation of why the condition exists.

If the reporting treatment for an item did not change from the prior period, a bank should select the third option and provide an appropriate written explanation.

In the next example, the bank's reporting treatment for income from other insurance activities (Schedule RI, item 5.h(2)) has not changed. The written explanation provides additional information to explain the circumstances the quality edit identified.

Edit Message:	JUN,SEP,DEC: CURR OTHER INSURANCE INCOME (RI-5H2) S/B >= PREV
Plain English Description:	Income statement items are reported on a calendar year-to-date basis. Therefore, quarter-end data from June, September, and December for the above-referenced item should be greater than or equal to previous quarter's data. Please review and explain or revise as appropriate.
Predefined Explanation:	3. Reporting treatment has not changed. See written explanation of why the condition exists.

Bank's Explanation:	The income from other insurance activities reported in RI-5h2 includes the bank's proportionate share of the net loss from a 30% ownership interest in an insurance agency accounted for under the equity method of accounting.

Acceptable Narrative Comments

The bank should explain why the condition identified by the quality edit is not an error in its Call Report data. The explanation should include dates, amounts, and reference to FFIEC Call Report Instructions or other accounting guidelines, where relevant.

A. Strive to answer the question why: Explain why the condition exists that prompted the edit or why an unusual fluctuation has occurred or what condition (such as market pressures or strategic decisions) triggered the edit or why the reporting treatment is consistent with the Call Report Instructions.

The written comment that follows explains why the rate on repurchase agreements is below 0.5%.

Edit Message:	IF RC-K12 > $4M, THEN (RI-2B CURR-PREV /RC-K12) S/B > 0.5%
Plain English Description:	The annualized expense ratio on Federal funds purchased and securities sold under agreements to repurchase (RC-K 12) appears inconsistent with current market rates. The related interest expense is reported in (RI- 2b). The annualized expense ratio is calculated by multiplying the expense accrual (RI-2b current minus previous) by four and dividing by (RC-K 12). Please explain or revise as appropriate.
Bank's Explanation:	The overall rate on repurchase agreements reported in RC-K 12 reflects lower rates offered to corporate customers that sweep excess demand deposits into repurchase agreements. In this year's low rate environment, these rates have typically been 0.25%.

B. Explain how an event has contributed to the condition identified by an edit. The explanation should clearly define the connection between the cause and the condition to which the edit message refers.

In the following example, the edit verifies that net unrealized gains (losses) on available-for-sale securities (Schedule RC-R, item 2) approximates the gross unrealized gains (losses) on available-for-sale securities (Schedule RC-B, item 8, Column D minus Column C). The written comment explains the connection between the cause and the relationship to which the edit message refers.

Edit Message:	IF ABSOLUTE VALUE OF (RC-B8D -B8C) >$50, (RC-R2) SHOULD NOT EQUAL ZERO
Plain English Description:	In general, if there are Unrealized gains/losses in available-for-sale securities (RC-B 8, column D minus column C), then an amount should be reported in Net unrealized gains/losses in available-for-sale securities for risk-based capital calculation (RC-R 2). Please explain or revise as appropriate.

Bank's Explanation: The bank has entered into a derivative futures contract that functions as a fair-value hedge against municipal securities in the available-for-sale portfolio. The gains or losses on the derivative contract offset the unrealized losses or gains on the available-for-sale securities. In accordance with FASB 133, these unrealized gains and losses flow through the income statement rather than the balance sheet. Therefore, the difference between RCB, item 8, columns D and C, is not reflected in the amounts reported in RCR 2.

C. Include relevant amounts, dates, and totals in the explanation. If fluctuations are due to recent purchases or divestitures, provide information on when these transactions occurred during the quarter. The two following examples provide dates and amounts in the bank's written explanation.

Edit Message: JUN,SEP,DEC: IF CURR > PREV (RI-M7), CURR (RI-3) S/B < PREV (RI-3)

Plain English Description: The push-down accounting date reported in (RI- M7) indicates that the balance sheet has been restated as a result of applying push-down accounting during the quarter. If this is correct, the amount of Net interest income (RI- 3) for this quarter-end should be less than the amount reported for the previous quarter-end. Please review and explain or revise as appropriate.

Bank's Explanation: Effective as of close of business May 4, 2003, Abraham Bank changed ownership. The statement of income reflects only the earnings since the above date. The balance sheet reflects fair value restatement as a result of applying push-down accounting. Even though Schedule RI reflects only the earnings since May 4, the quarter-to-date net interest income for the second quarter 2003 exceeded net interest income accrued in the first quarter by $10,000.

Edit Message: IF PREV INTANGIBLE ASSETS (RC-10B) > 0, THEN CURRENT (RC-10B) S/B > 0

Plain English Description: An amount was reported for Other intangible assets (RC-10b) for the previous quarter-end. Zero is reported for the current quarter-end. Please review and explain or revise as appropriate.

Bank's Explanation: On 10/1/2003, Downsize Bank sold all mortgage servicing assets having a book value of $345,000 to Growth Bank. The bank is no longer servicing mortgage loans.

D. Review the FFIEC Call Report Instructions relevant to the edit and clearly explain why the reporting treatment is consistent with these instructions.

The explanation that follows provides a reference to FFIEC Call Report Instructions and tells why the reporting is consistent with the instructions concerning deferred taxes of multiple jurisdictions.

Edit Message: IF PREV (RC-F2 OR G2) = 0, THEN CURR (RC-F2 OR G2) SHOULD BE = 0

Plain English Description:	According to the instructions, Deferred tax assets/liabilities from the same tax jurisdiction should be netted and the result should be reported in Net deferred tax assets (RC-F 2) or Net deferred tax liabilities (RC-G 2) as appropriate. Balances are reported in both (RC-F 2) and (RC-G 2). Please verify and confirm if the balances are from different tax jurisdictions.
Bank's Explanation:	The deferred taxes on RC-F and RC-G reflect net amounts from differing jurisdictions. This is consistent with FFIEC Call Instructions (page RC-F-1). A bank may report a net deferred tax asset for one jurisdiction and also report, at the same time, a net deferred tax liability for another jurisdiction.

Unacceptable Narrative Comments

Types of common narrative explanations that are unacceptable include the following: incomplete explanations, explanations that reflect only a comment on the edit logic, or explanations that either simply restate the predefined explanation or depend unduly on the predefined explanation.

A. Avoid providing incomplete explanations. Ensure that the explanations do not require further inquiry. Some examples of incomplete explanations are the following:

1. “Verified."
2. "Confirmed."
3. "Amounts are correct."
4. "Consistent with prior quarter."
5. "Traced to system reports."
6. "See above."
7. "Same as last quarter."
8. "Okay."
9. "Figures are correct."
10. "Last quarter was wrong."
11. “No comment.”
12. “Our CPA has found nothing wrong with this report.”

B. Avoid expressing comments about edit logic. Limit comments to explaining why the identified condition is consistent with the FFIEC Call Report Instructions. Keep in mind that an edit does not always identify an error; it might be identifying an unexpected or unanticipated relationship. If preparers are confused by or have a question about an edit, they should contact their Call Report analyst for clarification before the submission deadline date. The following are examples of comments that preparers should avoid:

1. "Bad edit."
2. "Edit routine is wrong."
3. "We disagree with this quality edit."
4. "I already told you about this edit before."
5. "The edit makes no sense."
6. "We do not understand the edit."

C. Avoid a verbatim restatement of one of the predefined explanations. Select the predefined explanation that best matches the reason that no change to the Call Report data is necessary, and then use the narrative section to expand on the predefined explanation, providing relevant information about the condition identified.

D. Avoid writing explanations that are dependent on the selected predefined explanation. An analyst should be able to read and understand the narrative comment on a standalone basis. The written statement should adequately clarify the identified condition without undue reference to the predefined explanation.

In the case of prior-period discrepancies causing quality edits in the current period, focus on explaining (1) what the error was and (2) how the discrepancy will be resolved. Avoid unnecessary or irrelevant detail, such as affixing blame or explaining how the error got through the internal controls. As mentioned earlier, avoid incomplete explanations, such as "The last quarter was wrong." For questions regarding amendments to prior-period data, see the section “Prior-Period Data Corrections” or consult the Call Report analyst assigned to the bank.