

# THE FINANCIAL SERVICES ROUNDTABLE



805 FIFTEENTH STREET, NW  
SUITE 600  
WASHINGTON, DC 20005  
TEL 202-289-4322  
FAX 202-289-1903

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E-Mail [rich@fsround.org](mailto:rich@fsround.org)  
[www.fsround.org](http://www.fsround.org)

**RICH WHITING**  
Executive Director

Information Collection Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
[Infocollection.comments@ots.treas.gov](mailto:Infocollection.comments@ots.treas.gov)

RE: Comment Request – Thrift Financial Report

On behalf of its member companies, The Financial Services Roundtable appreciates the opportunity to comment on the proposed changes to the Thrift Financial Report issued by the Office of Thrift Supervision (“OTS”) on January 23, 2003 (the “Proposal”). The Roundtable and its member companies support the goal of greater transparency with respect to financial reporting; however, we are concerned about the operational difficulties associated with collecting, reviewing, and validating the data in the Thrift Financial Report (“TFR”) within the 20-day period contemplated by the Proposal. Our members with multiple financial institutions and multiple functional regulators are also concerned about the lack of consistency in reporting deadlines among the various federal banking agencies. We therefore submit the following comments with regard to the Proposal.

The Financial Services Roundtable (“FSR”) is a national association representing 100 of the largest integrated financial services companies in the U.S. providing banking, insurance, securities, and investment products and services to American consumers.

## Comments

1. Interagency Coordination: We urge the agencies to coordinate their filing and data requirements more closely for companies that are regulated by more than one federal banking agency. Consolidation and rationalization of the filing requirements across agencies would promote efficiency in data collection and would likely speed up the filing process. In this regard, we are specifically concerned about the combination of additional data requirements and a tighter timeframe for Item # 32 (holding company information). The Federal Reserve requires parent-only information to be reported within 45 days after the end of the quarter, and we are not aware of any proposals to change that requirement. However, the OTS Proposal would shorten the deadline for filing Schedule HC with the OTS from 45 days to 30 days. This instance is one example of the need for better coordination among the federal banking agencies in this regard.

Of particular note in this regard is a recent Federal Financial Institutions Examination Council (FFIEC) decision not to finalize acceleration of the Call Report deadline from 45 days to 30 days for banks with more than one foreign office.

In a CEO letter dated March 10, 2003, the FFIEC approved several data enhancements to the Call Report; however, the FFIEC is continuing to evaluate three elements of its Call Report proposal, including the possible reduction from 45 to 30 days in the Call Report filing period mentioned above. In the context of this decision, the Proposal's acceleration of the TFR filing date from 30 days to 20 days appears particularly aggressive. In the interest of financial companies that have multiple federal banking regulators, we urge the OTS to conform the Proposal to the ongoing interagency effort with respect to the Call Report.

Finally, as a general policy matter, we are not aware of any significant financial or corporate reporting requirement that is shorter than 30 calendar days. Of course, certain SEC requirements regarding Form 8-K (current event reporting) and insider transactions have deadlines shorter than 30 days, but the amount of data that must be collected, validated, and reviewed in those instances is far less extensive than the data reported in the TFR and its related Schedules. We respectfully submit that despite recent advances in technology, the data reported by federal thrifts in the TFR will be unduly compromised by a 20-day reporting requirement.

2. Operational Concerns Created by 20-Day Filing Deadline: We believe that the marginal increase in transparency created by shortening the 30-day period for filing the TFR to 20 days will be outweighed by the increased risk of errors in data collection, data validation and data reporting that the shorter period will create. While the perception driving this proposal may be that data is instantaneously collected, validated and reported at the end of each quarter, that perception is not consistent with the practice of most thrifts. It takes time for thrifts to close their books at the end of each quarter; a six-business day close is extremely aggressive, and we believe that most thrifts require more time than six business days to close their books. Assuming even a short six-business-day close, that would leave approximately 10-12 calendar days (or 7-10 business days) for a thrift to prepare its data, review and validate its data, and submit its data in the TFR and certain Schedules to the OTS. Accomplishing that process in 7-10 business days (rather than the current 15-18 business days) materially increases the risk of error in data collection and validation. We do not believe that the marginal value of reporting data to the OTS ten calendar days earlier outweighs this increased risk of error.
  
3. Schedule H-b (11): We encourage the OTS's desire to "substantially reduce the data collection in the H-b (11)," as noted in Item 32 of the proposal. If Schedule HC will require more extensive data collection and reporting, then a reduction in the burden imposed by the H-b (11) makes sound policy sense.

However, we respectfully question whether or not the proposed Schedule HC disclosures will materially enhance holding company monitoring without imposing unduly burdensome reporting requirements. Certain of our member companies own scores of subsidiaries, most of which are not related to the provision of financial services. To be sure, added disclosures do not appear to encourage these or other industrial companies to invest in the thrift industry.

Moreover, in many instances, subsidiary organizations hold no assets and are formed or dissolved for legal reasons not directly related to the substantive operation of the company as a whole.

It is generally unclear to our members how the new disclosure information to be provided in Schedule HC would substantially aid the OTS in monitoring corporate organizational activity. Therefore, we respectfully request that the OTS reconsider the cost-benefit in accomplishing off-site monitoring objectives. We believe that monitoring and exam scoping objectives could be attained by simply limiting the scope of applicable subsidiary organizations to i) those which participate, directly or indirectly, in the provision of financial products and services, or ii) those that meet a specified standard of materiality, as such standard is currently employed by the SEC.

4. Reporting Internet home page address and transactional website addresses: Under existing regulatory authority, thrifts are required to obtain prior approval before launching any transactional websites.<sup>1</sup> For that reason, we believe that the proposal is, at a minimum, duplicative and possibly adds an unnecessary step to a time-sensitive and already lengthy report.

#### Conclusion

The Financial Services Roundtable appreciates the opportunity to comment on the Proposal. While the Roundtable and its member companies support the need for accurate data collection and reporting by federal thrifts, we are concerned about the impact of accelerating the current filing deadline for the TFR by ten calendar days. We generally support the efforts of the OTS in the Proposal that would align the TFR data with data required by the Call Report.

Thank you for your attention to these matters and if you have any further questions or comments, please contact Irving Daniels or me at (202) 289-4322.

Sincerely,

*Richard M. Whiting*

Richard M. Whiting

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<sup>1</sup> See 12 CFR 555.310.