

the agencies and will be summarized or included in the agencies' requests for OMB approval. All comments will become a matter of public record.

Dated: February 8, 2007.

**Stuart E. Feldstein,**

*Assistant Director, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency.*

Board of Governors of the Federal Reserve System, February 6, 2007.

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC, this 8th day of February, 2007.

Federal Deposit Insurance Corporation.

**Valerie J. Best,**

*Assistant Executive Secretary.*

Dated: February 6, 2007.

**Deborah Dakin,**

*Senior Deputy Chief Counsel, Regulations and Legislation Division, Office of Thrift Supervision.*

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## DEPARTMENT OF THE TREASURY

### Office of the Comptroller of the Currency

### FEDERAL RESERVE SYSTEM

### FEDERAL DEPOSIT INSURANCE CORPORATION

## DEPARTMENT OF THE TREASURY

### Office of Thrift Supervision

#### Agency Information Collection Activities: Submission for OMB Review; Joint Comment Request

**AGENCIES:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Notice of information collections to be submitted to OMB for review and approval under the Paperwork Reduction Act.

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the OCC, the Board, the FDIC, and the OTS (the "agencies") may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control

number. On October 31, 2006, the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), requested public comment for 60 days on a proposal to extend, with revision, the Consolidated Reports of Condition and Income (Call Report) for banks and the Thrift Financial Report (TFR) for savings associations, which are currently approved collections of information. After considering the comments, the FFIEC and the agencies have modified some of the proposed changes, which will be implemented March 31, 2007, as proposed. Additionally, OTS will incorporate in its OMB submission the proposed TFR changes published in the **Federal Register** on December 1, 2006 (71 FR 69619). These changes will also be implemented March 31, 2007, as proposed.

**DATES:** Comments must be submitted on or before March 16, 2007.

**ADDRESSES:** Interested parties are invited to submit written comments to any or all of the agencies. All comments, which should refer to the OMB control number(s), will be shared among the agencies.

**OCC:** Communications Division, Office of the Comptroller of the Currency, Public Information Room, Mailstop 1-5, Attention: 1557-0081, 250 E Street, SW., Washington, DC 20219. In addition, comments may be sent by fax to (202) 874-4448, or by electronic mail to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). You can inspect and photocopy the comments at the OCC's Public Information Room, 250 E Street, SW., Washington, DC 20219. You can make an appointment to inspect the comments by calling (202) 874-5043.

**Board:** You may submit comments, which should refer to "Consolidated Reports of Condition and Income, 7100-0036," by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and

Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's Web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW) between 9 a.m. and 5 p.m. on weekdays.

**FDIC:** You may submit comments, which should refer to "Consolidated Reports of Condition and Income, 3064-0052," by any of the following methods:

- <http://www.FDIC.gov/regulations/laws/federal/notices.html>.
- E-mail: [comments@FDIC.gov](mailto:comments@FDIC.gov). Include "Consolidated Reports of Condition and Income, 3064-0052" in the subject line of the message.
- Mail: Steven F. Hanft (202-898-3907), Clearance Officer, Attn: Comments, Room MB-2088, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.
- Hand Delivery: Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

**Public Inspection:** All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/notices.html> including any personal information provided. Comments may be inspected at the FDIC Public Information Center, Room E-1002, 3501 Fairfax Drive, Arlington, VA 22226, between 9 a.m. and 5 p.m. on business days.

**OTS:** You may submit comments, identified by "1550-0023 (TFR: March 2007 Revisions)," by any of the following methods:

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail address: [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov). Please include "1550-0023 (TFR: March 2007 Revisions)" in the subject line of the message and include your name and telephone number in the message.
- Fax: (202) 906-6518.
- Mail: Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention: "1550-0023 (TFR: March 2007 Revisions)."
- Hand Delivery/Courier: Guard's Desk, East Lobby Entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention: Information

Collection Comments, Chief Counsel's Office, Attention: "1550-0023 (TFR: March 2007 Revisions)."

*Instructions:* All submissions received must include the agency name and OMB Control Number for this information collection. All comments received will be posted without change to the OTS Internet site at <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>, including any personal information provided.

*Docket:* For access to the docket to read background documents or comments received, go to <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>. In addition, you may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment for access, call (202) 906-5922, send an e-mail to [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov), or send a facsimile transmission to (202) 906-7755. (Prior notice identifying the materials you will be requesting will assist us in serving you.) We schedule appointments on business days between 10 a.m. and 4 p.m. In most cases, appointments will be available the next business day following the date we receive a request.

Additionally, commenters may send a copy of their comments to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, DC 20503, or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** For further information about the revisions discussed in this notice, please contact any of the agency clearance officers whose names appear below. In addition, copies of the Call Report forms can be obtained at the FFIEC's Web site ([http://www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm)). Copies of the TFR can be obtained from the OTS's Web site (<http://www.ots.treas.gov/main.cfm?catNumber=2&catParent=0>).

*OCC:* Mary Gottlieb, OCC Clearance Officer, or Camille Dickerson, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

*Board:* Michelle E. Shore, Federal Reserve Board Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

*FDIC:* Steven F. Hanft, Paperwork Clearance Officer, (202) 898-3907, Legal

Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

*OTS:* Marilyn K. Burton, OTS Clearance Officer, at [marilyn.burton@ots.treas.gov](mailto:marilyn.burton@ots.treas.gov), (202) 906-6467, or facsimile number (202) 906-6518, Litigation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**SUPPLEMENTARY INFORMATION:** The agencies are requesting OMB approval to revise and extend for three years the Call Report and the TFR, which are currently approved collections of information.

1. *Report Title:* Consolidated Reports of Condition and Income (Call Report).

*Form Number:* Call Report: FFIEC 031 (for banks with domestic and foreign offices) and FFIEC 041 (for banks with domestic offices only).

*Frequency of Response:* Quarterly.

*Affected Public:* Business or other for-profit.

#### OCC

*OMB Number:* 1557-0081.

*Estimated Number of Respondents:* 1,900 national banks.

*Estimated Time per Response:* 44.33 burden hours.

*Estimated Total Annual Burden:* 336,925 burden hours.

#### Board

*OMB Number:* 7100-0036.

*Estimated Number of Respondents:* 905 state member banks.

*Estimated Time per Response:* 51.02 burden hours.

*Estimated Total Annual Burden:* 184,692 burden hours.

#### FDIC

*OMB Number:* 3064-0052.

*Estimated Number of Respondents:* 5,234 insured state nonmember banks.

*Estimated Time per Response:* 35.27 burden hours.

*Estimated Total Annual Burden:* 738,413 burden hours.

The estimated time per response for the Call Report is an average that varies by agency because of differences in the composition of the institutions under each agency's supervision (e.g., size distribution of institutions, types of activities in which they are engaged, and existence of foreign offices). The average reporting burden for the Call Report is estimated to range from 16 to 630 hours per quarter, depending on an individual institution's circumstances.

2. *Report Title:* Thrift Financial Report (TFR).

*Form Number:* OTS 1313 (for savings associations).

*Frequency of Response:* Quarterly.

*Affected Public:* Business or other for-profit.

#### OTS

*OMB Number:* 1550-0023.

*Estimated Number of Respondents:* 845 savings associations.

*Estimated Time per Response:* 57.1 burden hours.

*Estimated Total Annual Burden:* 193,139 burden hours.

#### General Description of Reports

These information collections are mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (for savings associations). Except for selected data items, these information collections are not given confidential treatment.

#### Abstract

Institutions submit Call Report and TFR data to the agencies each quarter for the agencies' use in monitoring the condition, performance, and risk profile of individual institutions and the industry as a whole. Call Report and TFR data provide the most current statistical data available for evaluating institutions' corporate applications, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. The agencies use Call Report and TFR data in evaluating interstate merger and acquisition applications to determine, as required by law, whether the resulting institution would control more than ten percent of the total amount of deposits of insured depository institutions in the United States. Call Report and TFR data are also used to calculate all institutions' deposit insurance and Financing Corporation assessments, national banks' semiannual assessment fees, and the OTS's assessments on savings associations.

#### Current Actions

##### I. Overview

On October 31, 2006, the agencies requested comment on proposed revisions to the Call Report and the TFR (71 FR 63848). All four agencies proposed to replace certain information currently collected in the Call Report and TFR for deposit insurance assessment purposes with the information described in proposed amendments to Part 327 of the FDIC's regulations (71 FR 28790, May 18,

2006).<sup>1</sup> The four agencies also proposed to revise the information collected in the Call Report and TFR on time deposits, particularly with respect to certain retirement accounts affected by the FDIC's amended deposit insurance regulations.

In addition, the OCC, the Board, and the FDIC (the banking agencies) proposed to implement a number of other changes to the Call Report requirements, most of which are expected to apply to a small percentage of banks. First, the banking agencies proposed to revise the Call Report to collect certain data on fair value measurements from those institutions that choose, under generally accepted accounting principles, to apply a fair value option to one or more financial instruments and one or more classes of servicing assets and liabilities and from certain institutions that report trading assets and liabilities. The banking agencies also proposed to collect an item for regulatory capital calculation purposes to capture the change in the fair value of liabilities accounted for under a fair value option that is attributable to a change in a bank's own creditworthiness. Second, in order to meet supervisory data needs, the banking agencies proposed to collect certain data in the Call Report on 1–4 family residential mortgages with terms that allow for negative amortization. Finally, the banking agencies proposed to clarify the Call Report instructions for assets serviced for others by explicitly stating that such servicing includes the servicing of loan participations.

The OTS's other changes to the TFR were addressed separately in its notices published on July 31, 2006 (71 FR 43286), and December 1, 2006 (71 FR 69619). These changes will be incorporated in this OMB submission, and will take effect on March 31, 2007.

The revisions to the Call Report and the TFR set forth herein, which were approved for publication by the FFIEC, were proposed to take effect as of March 31, 2007, and, for certain deposit insurance assessment revisions, March 31, 2008. After considering the comments and other actions since the publication of the proposal, the agencies approved certain modifications to the initial set of proposed revisions. The agencies will move forward with these modified reporting changes on March 31, 2007, and March 31, 2008. For the March 31, 2007, report date only, institutions may provide reasonable

estimates for any new or revised Call Report or TFR item for which the requested information is not readily available.

The agencies collectively received comments from five respondents: one banking organization, one national banking trade association, a trade association of community organizations, a financial institution data processing servicer, and a government agency. All of these respondents except the government agency addressed the proposed reporting of information on 1–4 family residential mortgages with negative amortization features. The trade association of community organizations supported the collection of the total amount of these mortgages in the Call Report while the banking organization and the banking trade association addressed the proposal to collect certain additional data on these mortgages from banks with a significant volume of negatively amortizing residential mortgages. The data processing servicer commented on the proposed March 31, 2007, effective date for reporting this information.

With respect to the other proposed revisions to the Call Report and the TFR, the banking organization stated that it “generally supports the Agencies’ “proposed changes” and the banking trade association expressed support for “the majority of changes proposed by the agencies.” This latter commenter observed that the proposed changes to the data reported for deposit insurance assessment purposes should be conformed to the FDIC's final rule on the operational procedures governing deposit insurance assessments that was published after the proposed changes to the Call Report and TFR were published for comment on October 31, 2006. This commenter also urged the agencies to proceed cautiously with the proposed reporting schedule that would capture data on banks' use of the fair value option under a yet-to-be issued final accounting standard.

A summary of the agencies' responses to the comments and the final revisions are presented below.

## II. Discussion of Revisions

### A. Deposit Insurance Assessment Revisions to the Call Report and TFR

On May 18, 2006, the FDIC issued proposed amendments to Part 327 of its regulations, “Assessments,” to improve and modernize its operational systems for deposit insurance assessments. Under these proposed amendments, the FDIC's computation of deposit insurance assessments for certain institutions would be determined using

daily averages for deposits rather than quarter-end balances. On November 30, 2006, the FDIC published a final rule amending Part 327 of its regulations largely as proposed on May 18.

In conjunction with these amendments to Part 327 of the FDIC's regulations, the agencies proposed to revise and reduce the overall reporting requirements related to deposit insurance assessments in both the Call Report and the TFR in order to simplify regulatory reporting. The proposed revised reporting requirements contained the following key elements:

- Institutions would separately report (a) gross deposits as defined in Section 3(l) of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1813(l)) before any allowable exclusions and (b) allowable exclusions;
- The same data items would be reported for both quarter-end and daily average deposits;
- All institutions would report using quarter-end deposits and allowable exclusions; and
- All institutions with \$300 million or more in assets, and other institutions that meet specified criteria, would also report daily averages for deposits and allowable exclusions in addition to quarter-end amounts.

The proposal also provided an interim period covering the March 31, 2007, through December 31, 2007, report dates, during which institutions would have the option to submit Call Reports and TFRs using either the current or revised formats for reporting data for measuring their assessment base. An institution that chose to begin reporting under the revised format in any quarter during the interim period would be required to continue to report under the revised format through the rest of the interim period and would not be permitted to revert back to the current reporting format. The revised reporting format would take effect for all institutions on March 31, 2008, at which time the current reporting format would be eliminated. Although no institution that chose to report under the revised format during the 2007 interim period would be required to report daily averages during this period, any institution could elect to report daily averages as of any quarter-end report date in 2007. However, once an institution began to report daily averages (even during the interim period), it would be required to continue to report daily averages each quarter thereafter in its Call Report or TFR.

In its May 18, 2006, proposed amendments to Part 327 of its regulations, the FDIC proposed to revise

<sup>1</sup> On November 30, 2006, the FDIC published a final rule amending Part 327 of its regulations to improve and modernize its operational systems for deposit insurance assessments (71 FR 69270).

the definition of the assessment base to be consistent with Section 3(l) of the FDI Act. This was intended to eliminate the need for periodic updates to the FDIC's assessment regulations in response to outside factors and allow a simplification of the associated reporting requirements. In addition, the FDIC proposed to use daily average deposits and exclusions over the quarter instead of quarter-end totals for deposits and exclusions to compute the assessment base for institutions with \$300 million or more in assets and other institutions who meet specified criteria. All other institutions could opt permanently to determine their assessment base using daily averages. In its final rule amending Part 327, the FDIC raised the size threshold for using daily average deposits and exclusions to compute an institution's assessment base from \$300 million to \$1 billion.

At present, 23 items are required in the Call Report to determine a bank's assessment base and eight items are required in the TFR to determine a savings association's assessment base. The agencies proposed to change the way the assessment base is reported in the Call Report and the TFR. As proposed, these changes would effectively reduce the number of reported items to as few as two for certain small institutions (without foreign offices) and no more than six for other institutions. Specifically, the banking agencies proposed to replace items 1 through 12 (including their subitems) on Schedule RC-O, "Other Data for Deposit Insurance and FICO Assessments," and OTS proposed to replace the eight items in the section of Schedule DI, "Consolidated Deposit Information," for "Deposit and Escrow Data for Deposit Insurance Premium Assessments" with the following six items:

- Total Deposit Liabilities Before Exclusions (Gross) as Defined in Section 3(l) of the FDI Act and FDIC Regulations;
- Total Allowable Exclusions (including Foreign Deposits);
- Total Foreign Deposits (included in Total Allowable Exclusions);
- Total Daily Average of Deposit Liabilities Before Exclusions (Gross) as Defined in Section 3(l) of the FDI Act and FDIC Regulations;
- Total Daily Average Allowable Exclusions (including Foreign Deposits); and
- Total Daily Average Foreign Deposits (included in Total Daily Average Allowable Exclusions).

The total amount of allowable exclusions from the assessment base would be reported separately for any

institution that maintains such records as will readily permit verification of the correctness of its assessment base. The allowable exclusions, which are set forth in Section 3(l)(5) and other sections of the FDI Act and in the FDIC's regulations, include foreign deposits (including International Banking Facility deposits), reciprocal balances, drafts drawn on other depository institutions, pass-through reserve balances, depository institution investment contracts, and deposits accumulated for the payment of personal loans that are assigned or pledged to assure payment at maturity. The net amount of unposted debits and credits would no longer be considered within the definition of the assessment base.

In addition to quarter-end balance reporting, institutions that meet certain criteria would be required to report average daily deposit liabilities and average daily allowable exclusions to determine their assessment base effective March 31, 2008. The amounts to be reported would be averages of the balances as of the close of business for each day for the calendar quarter. For days that an office of the reporting institution (or any of its subsidiaries or branches) is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. An office is considered closed if there are no transactions posted to the general ledger as of that date.

According to the agencies' October 31 reporting proposal, the requirement for an institution to report daily averages beginning March 31, 2008, would have applied to any institution that had \$300 million or more in total assets either in its Call Report or TFR for March 31, 2007, regardless of its asset size in subsequent quarters. In addition, if an institution reported \$300 million or more in total assets in two consecutive Call Reports or TFRs beginning with its June 30, 2007, report, daily average reporting would have begun on the later of March 31, 2008, or the report date six months after the second consecutive quarter. Daily average reporting beginning March 31, 2008, would also have applied to any institution that became newly insured after March 31, 2007. An institution reporting less than \$300 million in total assets in its Call Report or TFR for March 31, 2007, would be permitted to continue to determine its assessment base using quarter-end balances until it met the two-consecutive-quarter asset size test for reporting daily averages unless it opted to determine its assessment base using daily averages. After an institution

began to report daily averages for its total deposits and allowable exclusions, either voluntarily or because it was required to do so, the institution would not be permitted to switch back to reporting only quarter-end balances.

In its comment letter, the banking trade association "point[ed] out that the threshold for average daily balance reporting requirements in the final FDIC ruling is \$1 billion, which differs from the \$300 million threshold proposed by the FDIC on May 18, 2006," and upon which the agencies' October 31 reporting proposal was based. The trade association added that the reporting threshold in the Call Report and the TFR "must be revised to \$1 billion to correspond with the final FDIC rule." The agencies concur and are revising the threshold for average daily balance reporting to \$1 billion. In addition, institutions that become newly insured on or after April 1, 2008, would be required to report daily average balances beginning in the first quarterly Call Report or TFR that they file. An institution that becomes insured after March 31, 2007, but on or before March 31, 2008, would not be required to report daily average balances in its Call Report or TFR unless and until it exceeded the \$1 billion asset size threshold.

#### *B. Revision of Certain Time Deposit Information on the Call Report and TFR*

The Federal Reserve uses data from Call Report Schedule RC-E, Deposit Liabilities, and from TFR Schedule DI, Consolidated Deposit Information, to ensure accurate construction of the monetary aggregates for monetary policy purposes.<sup>2</sup> In order to more accurately calculate the monetary aggregates, the banking agencies proposed to revise two Schedule RC-E items, Memorandum items 2.b, "Total time deposits of less than \$100,000," and 2.c, "Total time deposits of \$100,000 or more," and add a new Memorandum item 2.c.(1) to this schedule.

In Schedule RC-E, Memorandum item 2.b would be revised to include brokered time deposits issued in denominations of \$100,000 or more that are participated out by the broker in shares of less than \$100,000 as well as brokered certificates of deposit issued in

<sup>2</sup> In order to calculate the money stock measure M2, the Federal Reserve takes M1 (which consists of currency held by the public, traveler's checks, demand deposits, and other checkable deposits) and adds (1) savings deposits, (2) small-denomination time deposits (time deposits in amounts of less than \$100,000) less Individual Retirement Account (IRA) and Keogh balances at depository institutions, and (3) balances in retail money market mutual funds, less IRA and Keogh balances at money market mutual funds.

\$1,000 amounts under a master certificate of deposit (when information on the number of \$1,000 amounts held by each of the broker's customers is not readily available to the bank). Memorandum item 2.c would be revised to exclude such brokered time deposits. In addition, because the deposit insurance limit for certain retirement plan deposit accounts increased from \$100,000 to \$250,000 in 2006, a new Memorandum item 2.c.(1) would be added to Schedule RC-E to separately identify the portion of the total time deposits of \$100,000 or more reported in Memorandum item 2.c that represents IRA and Keogh Plan accounts.

For the same reasons, OTS proposed to add two new items to Schedule DI of the TFR. These data items would be (1) Time Deposits of \$100,000 or More (excluding brokered time deposits participated out by the broker in shares of less than \$100,000 and brokered certificates of deposit issued in \$1,000 amounts under a master certificate of deposit) and (2) IRA/Keogh Accounts included in Time Deposits of \$100,000 or More.

The agencies received no comments on the proposed time deposit reporting changes, which they will implement as proposed.

### *C. Reporting of Certain Fair Value Measurements and the Use of the Fair Value Option in the Call Report*

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, Fair Value Measurements (FAS 157), which is effective for banks and other entities for fiscal years beginning after November 15, 2007. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the bank has not yet issued a financial statement or filed a Call Report for any period of that fiscal year. Thus, a bank with a calendar year fiscal year may voluntarily adopt FAS 157 as of January 1, 2007. The fair value measurements standard provides guidance on how to measure fair value and would require banks and other entities to disclose the inputs used to measure fair value based on a three-level hierarchy for all assets and liabilities that are remeasured at fair value on a recurring basis.<sup>3</sup>

<sup>3</sup> The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting bank has the ability to access at the measurement date (e.g., the Call Report date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level

The FASB plans to issue a final standard, The Fair Value Option for Financial Assets and Financial Liabilities, in the first quarter of 2007. This standard would allow banks and other entities to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. The banking agencies anticipate that relatively few banks will elect to use the fair value option for a significant portion of their financial assets and liabilities.

According to the FASB's Web site (<http://www.fasb.org>), the FASB Board has tentatively decided to require that the effective date of the final fair value option standard be the same as the effective date of FAS 157. Thus, the final fair value option standard should be effective for financial statements issued for fiscal years beginning after November 15, 2007. The FASB Board has also tentatively decided to permit an entity to early adopt the final fair value option standard provided that the entity also adopts all of the requirements (measurement and disclosure) of FAS 157 concurrent with or prior to the early adoption of the final fair value option standard. Furthermore, the FASB Board would permit early adoption of the final fair value option standard within 120 days of the beginning of the entity's fiscal year, thereby making the fair value option election retroactive to the beginning of that fiscal year (or the date of initial recognition, if later) provided that the entity has not yet issued any interim financial statements for that fiscal year. Thus, a bank with a calendar year fiscal year that voluntarily adopts FAS 157 as of January 1, 2007, would also be able to adopt the final fair value option standard as of that same date.

The banking agencies proposed to clarify the Call Report instructions to explain where financial assets and liabilities measured under the fair value option should be reported in the existing line items of the Call Report. The banking agencies also proposed to add a new Schedule RC-Q to the Call Report to collect data, by major asset and liability category, on the amount of assets and liabilities to which the fair value option has been applied along with separate disclosure of the amount of such assets and liabilities whose fair values were estimated under level two and under level three of the FASB's fair value hierarchy. The categories are:

- Securities held for purposes other than trading with changes in fair value reported in current earnings;
- Loans and leases;

3 inputs are unobservable inputs for the asset or liability.

- All other financial assets and servicing assets;
- Deposit liabilities;
- All other financial liabilities and servicing liabilities; and
- Loan commitments (not accounted for as derivatives).

In addition, the banking agencies proposed to collect data on trading assets and trading liabilities in the new schedule from those banks that complete Schedule RC-D, Trading Assets and Liabilities, i.e., banks that reported average trading assets of \$2 million or more for any quarter of the preceding calendar year. In the proposed new schedule, such banks would report the carrying amount of trading assets and trading liabilities whose fair values were estimated under level two and under level three of the FASB's fair value hierarchy.

The FASB's fair value measurements standard requires banks and other entities to consider the effect of a change in their own creditworthiness when determining the fair value of a financial liability. The banking agencies proposed to add one new item to Schedule RC-R, Regulatory Capital, for the cumulative change in the fair value of all financial liabilities accounted for under the fair value option that is attributable to changes in the bank's own creditworthiness. This amount would be excluded from the bank's retained earnings for purposes of determining Tier 1 capital under the banking agencies' regulatory capital standards.

Finally, the banking agencies proposed to clarify the instructions to Schedule RI for the treatment of interest income on financial assets and interest expense on financial liabilities measured under a fair value option. The instructions would be modified to instruct banks to separate the contractual year-to-date amount of interest earned on financial assets and interest incurred on financial liabilities that are reported under a fair value option from the overall year-to-date fair value adjustment and report these contractual amounts in the appropriate interest income or interest expense items on Schedule RI.

Only one commenter, the banking trade association, offered comments on fair value option reporting, urging "the agencies to proceed cautiously with any major revisions to the Call Report or TFR prior to the official release of the Fair Value Option statement." The trade association also requested that the agencies delay the March 31, 2007, effective date of the proposed reporting revisions related to the fair value option if the release of the FASB's final fair

value option standard is delayed beyond its expected issuance in the first quarter of 2007. The trade association did not address the proposed reporting revisions for the fair value option and fair value measurements themselves.

The banking agencies agree on the need for caution in implementing their proposed reporting revisions related to the fair value option and fair value measurements. Accordingly, once the FASB issues its final fair value option standard, only if banks are permitted to adopt this standard in the first quarter of 2007 for other financial reporting purposes would the fair value option reporting requirements in the Call Report take effect as of March 31, 2007. Otherwise, these reporting requirements would be delayed until banks can elect the fair value option for other financial reporting purposes. Additionally, the banking agencies will proceed with the new Schedule RC-R item for fair value changes included in retained earnings that are attributable to changes in a bank's own creditworthiness. This item will initially reflect the banking agencies' determination that banks should exclude from Tier 1 capital the cumulative change in the fair value of financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank's own creditworthiness. If the scope of the banking agencies' determination concerning changes in the fair value of liabilities attributable to changes in own creditworthiness is later modified, the new Schedule RC-R item would be modified accordingly.

*D. Reporting of Certain Data in the Call Report on 1-4 Family Residential Mortgage Loans With Terms That Allow for Negative Amortization*

The banking agencies proposed to collect certain Call Report items to monitor the extent of bank holdings of closed-end 1-4 family residential mortgage loan products whose terms allow for negative amortization. As proposed, all banks would report the total amount of their holdings of such closed-end mortgage loans in a new memorandum item in Schedule RC-C, Part I, Loans and Leases. The banking agencies also proposed to collect two additional memorandum items on Schedule RC-C and another new memorandum item on Schedule RI, Income Statement, from banks with a significant volume of negatively amortizing 1-4 family residential mortgage loans. The two additional Schedule RC-C memorandum items would be (1) the total maximum remaining amount of negative

amortization contractually permitted on closed-end loans secured by 1-4 family residential properties and (2) the total amount of negative amortization on closed-end loans secured by 1-4 family residential properties that is included in the carrying amount of these loans. The Schedule RI memorandum item would be the year-to-date noncash income on closed-end loans with a negative amortization feature secured by 1-4 family residential properties.

The banking agencies' proposal stated that the threshold for identifying banks with a significant volume of negatively amortizing residential mortgage loans would be based on the aggregate amount of these loans being in excess of either a certain dollar amount, e.g., \$100 million or \$250 million, or a certain percentage of the total loans and leases (in domestic offices) reported on Schedule RC-C, e.g., five percent or ten percent. For reporting during 2007, a bank with negatively amortizing loans would determine whether it met the size threshold for reporting the three additional memorandum items using data reflected in its December 31, 2006, Call Report. For reporting in 2008 and subsequent years, the determination would be based on data from the previous year-end Call Report. Thus, banks with negatively amortizing 1-4 family residential mortgage loans in excess of the reporting threshold as of the end of any particular calendar year would report these three items for the entire next calendar year.

The banking agencies requested comment on the specific dollar amount and percentage of loans that should be used in setting the size threshold for additional reporting on negatively amortizing loans. As mentioned above, the comments from the banking organization and the banking trade association addressed this threshold. In this regard, the banking organization recommended that the agencies base their reporting threshold only on a percentage of an institution's total loans and leases and not also include a fixed dollar amount of negatively amortizing loans in the threshold test. The organization stated that using a percentage test "is more in line with the Agencies' goals of ensuring the safety and soundness of institutions while minimizing the burden of information collection" because "safety and soundness concerns become more prominent only as an institution's concentration in these loans increases relative to the rest of its portfolio."

In its comments, the banking trade association referred to the agencies' Interagency Guidance on Nontraditional Mortgage Product Risks, which they

published at the beginning of October 2006,<sup>4</sup> noting that this guidance "specifically states that the agencies did not intend to establish concentration caps for institutions that underwrite" nontraditional mortgages, including the residential mortgages with negative amortization features on which data would be reported in the Call Report. The trade association expressed concern that the establishment of a reporting threshold for reporting certain data on these loans would be "a de facto concentration limit above which heightened regulatory scrutiny could be implied for such loans." This "would be inconsistent with the Interagency Guidance." As a consequence, the trade association suggested eliminating the entire proposed reporting requirement for negatively amortizing residential mortgage loans. Alternatively, if the proposed reporting requirement were to be retained, the trade association recommended eliminating the reporting threshold for the three additional items and requiring all banks to report these items.

The banking agencies have considered these comments that focus on the reporting threshold. The intent of the proposal to establish a reporting threshold for certain additional data on negatively amortizing residential mortgage loans was not to establish concentration limits for these mortgage products. Rather, as the agencies noted in their proposal, they currently "have no readily available means of identifying the industry's exposure" to these products, which led them to propose to collect certain data to assist them in "monitor[ing] the extent of use of negatively amortizing residential mortgage loans in the industry." Thus, the reporting of data on these mortgages is intended to support agency analysis at both the institution level and the industry level. The threshold for reporting additional data on negatively amortizing residential mortgage loans that are present at an institution in a significant volume was designed to limit the reporting burden on institutions, particularly small banks, with a nominal volume of these loans. A threshold based solely on a percentage of total loans and leases would not enable the banking agencies to gain an industry perspective on the amount of remaining contractually permitted negative amortization, capitalized negative amortization, and noncash income from negative amortization and how they relate to the amount of negatively amortizing residential mortgages. Therefore, the banking agencies will

<sup>4</sup> See 71 FR 58609, October 4, 2006.

proceed with a reporting threshold for the three additional data items that incorporates both a dollar amount test and a percentage test. More specifically, banks would report the three additional data items pertaining to their negatively amortizing residential mortgages if the amount of these mortgages exceeds the lesser of \$100 million or 5 percent of their total loans and leases (in domestic offices), both held for sale and held for investment.

The data processing servicer commented on the proposed March 31, 2007, effective date for reporting this information. The servicer observed that the end of the proposal's comment period is less than 90 days before this effective date, while it typically needs a minimum of 180 days to implement programming changes after requirements are finalized. As a consequence, the servicer stated that it would not be able to commit to completing the programming, testing, and implementation of changes to its mortgage software by March 31, 2007, to enable its client banks to report the proposed information on negatively amortizing residential mortgages.

The Interagency Guidance on Nontraditional Mortgage Product Risks indicates that management information and reporting systems "should allow management to detect changes in the risk profile of its nontraditional mortgage loan portfolio. The structure and content should allow the isolation of key loan products, risk-layering loan features, and borrower characteristics." The guidance further provides that "[a]t a minimum, information should be available by loan type," such as for the closed-end residential mortgage loans with negative amortization features that are the subject of this Call Report proposal, and "by borrower performance (e.g., payment patterns, delinquencies, interest accruals, and negative amortization)." These risk management expectations for information systems were set forth approximately 180 days before the March 31, 2007, effective date of the proposed Call Report items for negatively amortizing residential mortgages. In addition, as previously mentioned, for the March 31, 2007, report date, banks may provide reasonable estimates for these new Call Report items if the requested information is not readily available.

#### *E. Call Report Instructional Clarification for Servicing of Loan Participations*

Banks report the outstanding principal balance of loans and other assets serviced for others in Memorandum items 2.a, 2.b, and 2.c of

Schedule RC-S, "Servicing, Securitization, and Asset Sale Activities." The instructions for these Memorandum items do not explicitly state whether a bank that has sold a participation in a loan or other financial asset, which it continues to service, should include the servicing in Memorandum item 2.a, 2.b, or 2.c, as appropriate. Because the absence of clear instructional guidance has resulted in questions from bankers and has produced diversity in practice among banks, the banking agencies propose to clarify the instructions to these Schedule RC-S Memorandum items to explicitly state that the amount of loan participations serviced for others should be included in these items. The banking agencies received no comments specifically addressing this instructional clarification, which will be implemented as proposed.

#### **III. Other Matters**

Section 601 of the Financial Services Regulatory Relief Act of 2006 (Relief Act) removed several statutory reporting requirements relating to insider lending by banks and savings associations. One of these amendments, which became effective on October 13, 2006, eliminated the requirement that an institution include a separate report with its Call Report or TFR each quarter on any extensions of credit the institution has made to its executive officers since the date of its last Call Report or TFR.<sup>5</sup> Accordingly, institutions were no longer required to report on such extensions of credit beginning December 31, 2006, and the "Special Report" on loans to executive officers, which has been included with the Call Report and TFR in previous quarters, is being discontinued. Because the reporting burden of this "Special Report" has been included in the burden for the Call Report and TFR information collections, the agencies have adjusted the burden of these collections in response to this statutory change and the elimination of the reporting requirement.

To improve the timeliness with which Call Report data become available to the public, the banking agencies will start

<sup>5</sup> In keeping with the Relief Act, the Board amended Regulation O (12 CFR part 215) to eliminate the insider loan reporting requirements addressed in Section 601, effective December 11, 2006 (71 FR 71472, December 11, 2006). The FDIC repealed Part 349 of its regulations (12 CFR part 349), which covered certain insider loan reporting requirements addressed in Section 601, effective December 22, 2006 (71 FR 78337, December 29, 2006). The OCC's regulations (12 CFR part 31) and the OTS's regulations (12 CFR part 563) incorporate Regulation O by reference and, therefore, do not require amendment.

posting individual bank data on the Internet earlier than in the past. This change will occur in conjunction with the implementation of the FFIEC's Central Data Repository Public Data Distribution (CDR PDD) site as the Web site for obtaining individual bank Call Report data. At present, individual bank Call Reports for which the analyses have been completed are released to the public beginning the third Friday after the report date (e.g., January 19, 2007, for the December 31, 2006, report) and additional bank reports are posted each Friday thereafter. Beginning with the March 31, 2007, report, the banking agencies plan to begin posting individual bank Call Report data on the CDR PDD Web site 15 calendar days after the report date (e.g., April 15, 2007). However, no individual bank data will be posted until 72 hours after that data has been accepted by the banking agencies and is incorporated within the Central Data Repository.

#### **IV. Request for Comment**

Public comment is requested on all aspects of this joint notice. Comments are invited on:

(a) Whether the proposed revisions to the Call Report and TFR collections of information are necessary for the proper performance of the agencies' functions, including whether the information has practical utility;

(b) The accuracy of the agencies' estimates of the burden of the information collections as they are proposed to be revised, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Comments submitted in response to this joint notice will be shared among the agencies and will be summarized or included in the agencies' requests for OMB approval. All comments will become a matter of public record.

Dated: February 8, 2007.

**Stuart E. Feldstein,**

*Assistant Director, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency.*

Board of Governors of the Federal Reserve System, February 5, 2007.

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC, this 2nd day of February, 2007.

Federal Deposit Insurance Corporation.

**Valerie J. Best,**

*Assistant Executive Secretary.*

Dated: January 31, 2007.

**Deborah Dakin,**

*Senior Deputy Chief Counsel, Regulations and Legislation Division, Office of Thrift Supervision.*

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**BILLING CODE 4810-33-P; 6210-01-P; 6714-01-P; 6720-01-P**

## DEPARTMENT OF TREASURY

### Office of Foreign Assets Control

#### Unblocking of Specially Designated Narcotics Traffickers Pursuant to Executive Order 12978

**AGENCY:** Office of Foreign Assets Control, Treasury.

**ACTION:** Notice.

**SUMMARY:** The Treasury Department's Office of Foreign Assets Control ("OFAC") is publishing the names of five individuals and one entity whose property and interests in property have been unblocked pursuant to Executive Order 12978 of October 21, 1995, *Blocking Assets and Prohibiting Transactions With Significant Narcotics Traffickers*.

**DATES:** The unblocking and removal from the list of Specially Designated Narcotics Traffickers of the individuals and entity identified in this notice whose property and interests in property were blocked pursuant to Executive Order 12978 of October 21, 1995, occurred on February 2, 2007.

**FOR FURTHER INFORMATION CONTACT:** Jennifer Houghton, Assistant Director, Designation Investigations, Office of Foreign Assets Control, Department of the Treasury, Washington, DC 20220, tel.: 202/622-2420.

**SUPPLEMENTARY INFORMATION:**

#### Electronic and Facsimile Availability

This document and additional information concerning OFAC are available on OFAC's Web site (<http://www.treas.gov/ofac>) or via facsimile

through a 24-hour fax-on demand service, tel.: (202) 622-0077.

#### Background

On October 21, 1995, the President issued Executive Order 12978 (the "Order") pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701-1706), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3, United States Code.

In the Order, the President declared a national emergency to address actions of significant foreign narcotics traffickers centered in Colombia, and the unparalleled violence, corruption, and harm that they cause in the United States and abroad. The Order imposes economic sanctions on foreign persons who are determined to play a significant role in international narcotics trafficking centered in Colombia; or materially to assist in, or provide financial or technological support for goods or services in support of, the narcotics trafficking activities of persons designated in or pursuant to the order; or to be owned or controlled by, or to act for or on behalf of, persons designated in or pursuant to the Order.

The Order included 4 individuals in the Annex, which resulted in the blocking of all property or interests in property of these persons that was or thereafter came within the United States or the possession or control of U.S. persons. The Order authorizes the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, to designate additional persons or entities determined to meet certain criteria set forth in EO 12978.

On February 2, 2007, the Director of OFAC removed from the list of Specially Designated Narcotics Traffickers the individuals and entity listed below, whose property and interests in property were blocked pursuant to EO 12978.

The list of the unblocked individuals and entity follows:

1. AGUADO ORTIZ, Luis Jamerson, c/o DISTRIBUIDORA MIGIL LTDA., Cali, Colombia; c/o FLEXOEMPAQUES LTDA., Cali, Colombia; c/o INVERSIONES Y CONSTRUCCIONES COSMOVALLE LTDA., Cali, Colombia; c/o PLASTICOS CONDOR LTDA., Cali, Colombia; Cedula No. 2935839 (Colombia) (individual) [SDNT] -to-AGUADO ORTIZ, Luis Jamerson, c/o D'CACHE S.A., Cali, Colombia; c/o DISTRIBUIDORA MIGIL LTDA., Cali, Colombia; c/o FLEXOEMPAQUES LTDA., Cali, Colombia; c/o INVERSIONES Y CONSTRUCCIONES COSMOVALLE LTDA., Cali, Colombia; c/o PLASTICOS CONDOR LTDA., Cali, Colombia; Cedula No. 2935839 (Colombia) (individual) [SDNT]

2. CAMACHO RIOS, Jaime, c/o CONSTRUCCIONES ASTRO S.A., Cali, Colombia; Cedula No. 14950781 (Colombia) (individual) [SDNT] GONZALEZ, Maria Lorena, c/o INVERSIONES Y CONSTRUCCIONES ATLASLTDA., Cali, Colombia; Cedula No. 31992548 (Colombia) (individual) [SDNT]

3. GUZMAN VELASQUEZ, Luz Marcela, c/o TAURA S.A., Cali, Colombia; Cedula No. 43568327 (Colombia) (individual) [SDNT]

4. RAMIREZ VALDIVIESO, Alfonso, Calle 114 No. 26-64, Bogota, Colombia; c/o INTERCONTINENTAL DE AVIACION S.A., Bogota, Colombia; DOB 5 May 1938; POB Cali, Colombia; Cedula No. 17035234 (Colombia); Passport AF058639 (Colombia); alt. Passport PE019394 (Colombia); alt. Passport PE004391 (Colombia) (individual) [SDNT]

5. WILSON GARCIA, Maria Ximena, c/o ALERO S.A., Cali, Colombia; DOB 15 Aug 1968; Cedula No. 31985601 (Colombia) (individual) [SDNT]

6. PREMIER SALES S.A., Avenida Ernesto T. Lefevre, Planta Baja, Panama; P.O. Box 4064, Panama [SDNT] -to- PREMIER SALES S.A., Avenida Ernesto T. Lefevre Edificio No. 10 Planta Baja, Panama; P.O. Box 4064, Panama; Apartado: 810-379 Zona 10, Panama [SDNT]

Dated: February 2, 2007.

**Adam J. Szubin,**

*Director, Office of Foreign Assets Control.*

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**BILLING CODE 4811-42-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

[INTL-536-89]

#### Proposed Collection; Comment Request for Regulation Project

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Notice and request for comments.

**SUMMARY:** The Department of the Treasury, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995, Public Law 104-13 (44 U.S.C. 3506(c)(2)(A)). Currently, the IRS is soliciting comments concerning an existing final regulation, INTL-536-89 (TD 8300), Registration Requirements With Respect to Certain Debt Obligations; Application of Repeal of 30 Percent Withholding by the Tax Reform Act of 1984 (§ 1.1998 to be assured of consideration).