

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 7725]
October 8, 1975

PROPOSED CHANGES IN REPORTS OF CONDITION AND INCOME

*To the Chief Executive Officer
of the State Member Bank Addressed, and Others Concerned:*

Following is the text of a statement issued October 1 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System, together with the other Federal bank regulatory agencies, today issued for comment proposed changes in two major reports submitted to them by banks under their supervision. The proposed changes are designed to increase public knowledge of the financial condition and the income of banks.

Comment on the proposals will be received by the Federal Reserve Board, the Comptroller of the Currency and the Federal Deposit Insurance Corporation through November 1, 1975.

The proposals [are] outlined in a letter jointly signed by the heads of the three Federal agencies and addressed to the chief executives of banks under their supervision. The letter [is] accompanied by a more detailed description of the proposed changes and additions in bank financial reporting and by a set of the proposed new reporting forms.

Discussion with the Securities and Exchange Commission, which is issuing proposed disclosure guidelines for bank holding companies, played a role in shaping the proposals.

The two reports concerned are the Report of Condition and the Report of Income. The two reports together are intended to give supervisors and the public a picture of the financial condition and soundness of a bank.

The bulk of the two reports have in the past been available to the public. As proposed, all parts of both reports would be available.

Under the proposal, reporting requirements would be different for larger and smaller banks. As currently proposed, national banks and State member banks of the Federal Reserve System whose domestic and foreign offices together comprise assets of \$300 million or more would file information supplementary to "universal" condition and income reports proposed for all banks. The proposed "large bank" cut-off for the insured nonmember banks supervised by the Federal Deposit Insurance Corporation would be \$100 million in assets.

A further change is proposed in the frequency and timing of bank financial reporting. Under the proposals smaller banks would report on income twice yearly instead of annually and the larger banks would report quarterly. All banks would, as at present, submit condition reports quarterly. But the dates of these condition statements would normally fall at the end of each calendar quarter. At present the Spring and Fall calls occur irregularly at times chosen by the regulators but not announced in advance.

In outline, the principal changes and additions being proposed concern the following:

Report of Condition

A. All banks:

- Frequency and date of reporting;
- Treatment of bad debt reserves;
- Unearned income on loans;
- Capital notes and debentures;
- Detail required on the loan schedule;
- Reorganization of the deposit schedules;
- Additional information on positions vis-a-vis foreign branches.

B. Supplemental information on condition required of banks classified as large:

- Maturity breakdown for types of loans at domestic offices;
- Loan commitments at domestic offices;
- Maturity breakdown of large time deposits at domestic offices;

- Consolidated report of condition for foreign branches and subsidiaries and Edge Act corporations (companies established by banks to handle international or foreign financial operations);
- Maturity breakdown for selected items at foreign offices;
- A geographical breakdown, by location of customer, for assets and liabilities of domestic and foreign offices, and
- Average interest rates for security holdings, broken down by type of security and by maturity.

Report of Income

A. All banks:

- Frequency of reporting;
- Applicable income taxes;
- Reserves for loan losses.

B. Supplemental income information required of banks classified as large:

- The income effects of "non-current" loans;
- Loan loss experience, and
- An income statement for foreign branches and subsidiaries and Edge Act subsidiaries.

All of these proposed changes are discussed in detail in the information accompanying the Board's memorandum to the chief executive officers of all State member banks.

Printed below is the text of the letter from the heads of the three Federal agencies referred to above.

Enclosed (for chief executive officers of State member banks) are copies of proposed draft forms for your bank and a related explanatory statement. Copies of these materials will be furnished to others upon request.

Written comments on the proposal should be submitted by November 1, 1975 and sent to our Banking Studies Department. Any questions regarding this matter may be directed to that Department (Telephone No. 212-791-5854).

PAUL A. VOLCKER,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM OFFICE OF THE COMPTROLLER OF THE CURRENCY FEDERAL DEPOSIT INSURANCE CORPORATION

October 1, 1975

To the Chief Executive Officer,

A proposed revision of the Report of Condition and the Report of Income has been designed by the three Federal banking supervisory agencies to provide more meaningful and timely information to bank supervisors, shareholders, and depositors. Discussions with the Securities and Exchange Commission concerning appropriate disclosure for bank holding companies and for commercial banks played a role in the review process leading to the proposed changes in and additions to the reports.

Those proposals are now being published in the *Federal Register* and released for public comment. Copies of the proposed reporting forms are enclosed with this letter. It will be especially helpful in achieving our objectives to know the views of the banks that will be submitting these reports, and therefore the regulatory agencies will appreciate receiving your comments.

There are two parts to the proposed revisions. First, there is a revision of the Report of Condition and the Report of Income that would be submitted by all insured commercial banks; these are referred to as the "universal" reports. The second part is a set of quarterly *supplemental* schedules labeled "Large Bank Supplements to Report of Condition and Report of Income" that would be required only of larger banks. For national banks reporting to the Comptroller of the Currency and State member banks reporting to the Federal Reserve, it is tentatively proposed that these large bank supplements be required of banks with total assets of over \$300 million on their fully consolidated condition statement (both domestic and foreign offices); for insured nonmember banks reporting to the Federal Deposit Insurance Corporation, banks of over \$100 million in assets would submit the large bank

supplements. The size cut-offs for large banks that will be finally adopted will depend on agency evaluation of disclosure and information needs; however, they will not be less than \$100 million for any agency.

In this mailing for information and comment, all insured commercial banks of over \$100 million in total assets are being sent copies of both the "universal" reports and the large bank supplements. Banks of less than \$100 million in total assets are being sent only the "universal" reports, but copies of the large bank supplements are available upon request. For nonmember banks an additional schedule of selected deposit items is also enclosed for the purpose of measuring the nonmember banks' component of the money supply. Member banks already provide such information to their Federal Reserve Banks.

Both the "universal" Reports of Condition and Income, with all their schedules, and the supplemental "large bank" schedules finally adopted will be subject to public disclosure.

The proposals envisage changing the income report from an annual to a semi-annual basis for the smaller banks and to a quarterly basis for the larger banks. All four quarterly condition statements would be reported as of the last day of the quarter.

With respect to the "universal" reports, many of the changes are in format, but there are also changes in accounting treatment of loan reserves, unearned income on loans, and taxes and net income after taxes. In addition, there are some added details required to be reported in the loan and deposit schedules, in the security maturity schedule, in the 15-day average memorandum items on the face of the call, and in income and expense items.

The large bank supplements, to some extent, reflect reporting requirements already being met in some form by many banks, but there are also several new reporting requirements. The information required in the supplements relates to maturity breakdowns of loans and deposits, loan commitments, location of borrower and depositor by broad geographical breakdown, interest rates on securities, non-current loans, and loan loss experience. The large banks will also be required to report consolidated condition and income statements for their foreign branches and subsidiaries and Edge Act and Agreement subsidiaries.

More detailed descriptions of the agency proposals, both for the "universal" reports and for the "large bank" supplements, are contained in the accompanying statement.

Not included in the proposals submitted here but under agency consideration for some future time is the need to have some set of bank balance sheet items reported on a daily average basis for the reporting period in addition to an amounts outstanding basis for the last day of the reporting period. The agencies would appreciate comments on this matter in addition to those on the present proposals.

The current intention of the agencies is to put the proposed revisions and supplements, as modified by consideration of comments, into effect for the December 1975 reports. Banks required to submit the "large bank" supplementary reports for December 1975 will be determined on the basis of their size as of June 30, 1975.

The comment period for the contents of the "universal" reports and the "large bank" supplements, and for the large bank size cut-off will extend to November 1. Comments should be sent to the respective agencies, which will give careful consideration to all comments received.

Sincerely yours,

Arthur F. Burns
Chairman

Board of Governors of the Federal Reserve System

James E. Smith
Comptroller of the Currency

Frank Wille
Chairman
Federal Deposit Insurance Corporation

Enclosures