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June 21, 2018

The Honorable Joseph M. Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Implementation of a Short Form Call Report as Required Under Section 205 of S. 2155,
the Economic Growth, Regulatory Relief, and Consumer Protection Act

Dear Comptroller Otting, Chairman Powell, and Chairman McWilliams:

The Independent Community Bankers of America (ICBA)¹ is pleased that Congress has taken legislative action which President Trump has signed into law to mandate the implementation of a short-form call report in the first and third quarters for banks with total consolidated assets of less than \$5 billion. We look forward to working with your respective agencies and the FFIEC as you implement the rules under Section 205 of S.2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act.

¹ The Independent Community Bankers of America®, the nation's voice for nearly 5,700 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services. With nearly 52,000 locations nationwide, community banks employ 760,000 Americans, hold \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$3.3 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA's website at www.icba.org.

The Nation's Voice for Community Banks.®

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Dedicating valuable community bank resources to preparing extensive reporting schedules for regulator consumption each quarter makes little sense for the thousands of community banks that pose no risk to the domestic or global banking system. This important new law will bring significant regulatory relief to the nation's community banks and we look forward to working with you to accomplish this goal as soon as possible.

Key bank personnel should be participating in the activities that assist in serving the bank's strategic focus and the local community. Creating a simple but effective short-form call report in the first and third quarters will free up employees and other resources that should be serving community bank customers and the operational needs of the bank. Congress has recognized the reporting burden associated with the call report and has identified the solution to bring community banks the relief they so desperately need. It is now time for the agencies to enact comprehensive reporting relief.

The FFIEC now has the ability to introduce a true short-form call report for community banks that only requires the balance sheet, income statement, and statement of changes in shareholders' equity for the March 31st and September 30th call dates, with more detailed accompanying schedules to be completed for the June 30th and December 31st reporting dates.

Implementation of Section 205 should not require the creation of any new reports and schedules. Rather, the numerous detailed schedules currently required every quarter should be completely eliminated in the first and third quarters since a complete picture of the community bank's financial condition, capitalization, and profitability can be easily determined by the balance sheet (RC), income statement (RI), and changes in equity capital (RC-C), making offsite monitoring just as effective as it is with the existing burdensome schedules.

Regulators must never lose sight of the fact that community banks cultivate strong but risk averse asset-liability management strategies, making the need for extensive quarterly reporting meaningless when assessing potential areas of weakness in the institution. Most community banks' assets and liabilities do not significantly change quarter to quarter. Year to year changes are the most meaningful.

Additionally, the time between the reporting for two full call reports is very short in the community bank asset life cycle. On average it is only 65 business days between quarters, exclusive of federal holidays. Changes from quarter to quarter in nearly every key category can still be monitored without the time-consuming detailed, and often manual worksheets required every quarter today.

As the agencies are aware, ICBA has been at the forefront in advocating for call report relief for community banks for many years. ICBA has continually worked to help the banking regulators better understand the difficulties facing community banks in providing the vast array of data

reporting requirements that are reported to the agencies on a quarterly basis but that have never added supportable value to the safety and soundness monitoring effort that regulators conduct. ICBA's many efforts to educate the stakeholder community include the following:

- Conducting an extensive survey of community bankers in May 2014 on the resources required and difficulties of the current call report burden and the benefits of the short-form call report;
- Submitting a petition to prudential banking regulators in 2014 signed by nearly 15,000 community bankers;
- Hosting a half-day meeting in ICBA's offices with all of the members of the FFIEC, ICBA staff, and community bankers to present survey results and answer questions posed by the agencies;
- Supporting legislation during multiple sessions of Congress to provide regulatory relief through the short-form call report beginning all the way back to 2015 up through today;
- Multiple conferences with bank regulators as early as 2015 including extensive, in-depth discovery sessions on the regulatory burdens surrounding current call report preparation where bank personnel shared their experiences;
- Multiple comment letters starting in 2014 to the regulatory agencies asking for simple conclusive regulatory burden reduction efforts with emphasis on introducing the short-form call report; and
- Multiple letters to members of Congress as early as 2015 detailing the plight of community bank call report preparers and a request for common sense solutions to relieve regulatory burden through legislation.

ICBA's research in this area supports Congress' action to bring regulatory relief. ICBA's 2014 survey on the call report preparation burden showed that the introduction of a short-form call report in two of the four quarters of the year would represent a substantial burden reduction for an astonishing 72 percent of survey respondents. Another 26 percent of respondents observed that a marginal burden reduction would be achieved with the short form. Banks surveyed were categorized by asset size. Interestingly, bank responses on the level of reporting relief that would be realized from the short form were consistent for banks as small as \$100 million or less in total assets and banks as large as \$500 million or more in total assets. This shows that the need for the short-form call report is warranted for community banks of all sizes and not just the smallest banks.

In 2016, ICBA worked with the agencies to arrange a series of lengthy and productive feedback sessions with community bank call report preparers, many of which were held on-site at community banks, so that bankers could directly communicate their reporting difficulties to the regulators and recommend ways to reduce the reporting burden. Preparers were also able to reflect on the schedules that are the most difficult to produce or that do not provide essential quarterly performance metrics. Through those sessions, we all learned extensive details about how much manual preparation is needed to prepare the call report every quarter.

ICBA has clearly communicated to the FFIEC that the simple elimination of individual reporting items that has taken place over the past year, while mildly helpful, is not enough to achieve the reporting relief required. **ICBA is calling on the agencies to implement meaningful call report reform by establishing a short-form call report in the first and third quarters that is limited to the balance sheet, income statement, and statement of changes in shareholders' equity without any other supporting schedules.** This solution allows the relevant stakeholders to gain a solid understanding of the financial condition and performance of the community bank over the reporting period without the complexity of going through the burdensome reporting exercise.

ICBA appreciates your attention to these concerns and the opportunity to provide comments on the key decisions that lie ahead in reshaping community bank reporting requirements.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO