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REGULATORY REPORTING

Upcoming Due Dates

(Not all reports are applicable to all HCs)

FFIEC 031/041	Due October 30, 2016
FFIEC 002	Due October 31, 2016
FR Y-8	Due October 31, 2016
FR Y-9C	Due November 9, 2016
FFIEC 019	Due November 14, 2016
FFIEC 030	Due November 14, 2016
FR Y-9LP	Due November 14, 2016
FR Y-12	Due November 14, 2016
FR Y-11	Due November 29, 2016
FR 2314	Due November 29, 2016
FR Y-7Q	Due November 29, 2016

Freedom of Information

Did you know that you can access federal agency records and nonpublic records through the "Freedom of Information Act"? The Freedom of Information Act (FOIA) generally provides any person the right to access federal agency records, unless the records are protected from disclosure by one of FOIA's nine exemptions or excluded by one of the three special law enforcement record exclusions. For public information on and an overview of the Federal Reserve System, please see: [The Federal Reserve System: Purposes & Functions](#). For more information on the Freedom of Information Act, including how to submit a request, please refer to the Freedom of Information Office website available at: www.federalreserve.gov/foia/about_foia.htm

Have an Article Idea?

The *Regulatory Reporting Newsletter* is brought to you by the Regulatory Reporting Team at the Federal Reserve Bank of Dallas. This newsletter was designed to provide you with relevant and interesting information on reporting issues and regulatory report changes. If you have suggestions on topics you would like to have addressed in the *Regulatory Reporting Newsletter*, please send your suggestions to: BHCReports@dal.frb.org

Proposed New Call Report (FFIEC 051)

The Federal Financial Institutions Examination Council (FFIEC) published a proposal for a new Consolidated Reports of Condition and Income for Eligible Small Institutions (FFIEC 051) for comment in the Federal Register. Although the comment period has ended, if the proposal is accepted, this new quarterly Call Report will reduce the number of institutions that are currently required to complete the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only (FFIEC 041).

The proposed FFIEC 051 is a simplified version of the FFIEC 041 and will be available to institutions with domestic offices only and total consolidated assets of less than \$1 billion on its June 30, 2016 Call Report. If the institution's assets should subsequently increase to \$1 billion or more as of a June 30 report date, it would no longer be eligible to file the FFIEC 051 and would begin filing the FFIEC 041 beginning March 31 of the following year.

As proposed, the FFIEC 051 represents a considerable reduction in size. The FFIEC proposes to remove approximately 40 percent of the nearly 2,400 data items in the FFIEC 041. The eliminations include data items identified as no longer necessary for small, noncomplex institutions. There would also be specified data items collected less frequently than quarterly. Furthermore, the FFIEC 051 would include indicator questions along with corresponding indicator data items on certain complex and specialized activities such as derivatives and trading.

As previously noted, the proposed FFIEC 051 would be available to institutions with domestic offices only and assets of less than \$1 billion. However, if an institution chooses, it may continue to file the FFIEC 041 instead. If your institution meets the eligibility requirements of the FFIEC 051 but would like to continue filing the FFIEC 041, please notify your Reserve Bank analyst immediately. This new proposed Call Report would take effect on the March 31, 2017 report date. While more information will be provided on a later date, you can also find additional information regarding the FFIEC 051 at: www.federalreserve.gov/boarddocs/press/foiadocs/2016/20160815/foia20160815.pdf

An Introduction to Bank Liquidity Requirements

In response to the financial crisis, a key part of U.S. and global regulatory reform was to establish formal, quantitative requirements for the liquidity levels that banks must attain. In an essay entitled, "Bank Liquidity Requirements: An Introduction and Overview," former Brookings Institution economic expert Douglas J. Elliott explains these requirements and how regulators try to balance the safety and soundness benefits with the economic costs of these new mandates.

Liquidity is a measure of the ability and ease with which assets can be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations. Examples of liquid assets generally include cash, central bank reserves and government debt. To remain viable, a financial institution must have enough liquid assets to meet its near-term obligations, such as withdrawals by depositors. Capital acts as a financial cushion to absorb unexpected losses and is the difference between all of a firm's assets and its liabilities. To remain solvent, the value of a firm's assets must exceed its liabilities.

Within Schedule R of the Call Report and FR Y-9C report, there are ratios that are used to measure capital. These ratios include Risk-Based Capital Ratios, Leverage Capital Ratios and a Capital Buffer. Recognition of capital and liquidity's significance and the way they are measured is key to understanding a bank's viability and solvency.

Additional information is available at: www.brookings.edu/wp-content/uploads/2016/06/23_bank_liquidity_requirements_intro_overview_elliott.pdf

A Study on Banking Activities and Investments Issued by Three Agencies

On Sept. 8, 2016, the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency released a report to Congress and the Financial Stability Oversight Council on the activities and investments that banking entities may engage in under current applicable law.

Section 620 of the Dodd–Frank Wall Street Reform and Consumer Protection Act requires the federal banking regulatory agencies to conduct the study and report to Congress on the types of activities and investments permissible for banking entities, the associated risks and how banking entities mitigate those risks. The entities included in this study are insured depository institutions and any company that controls an insured depository institution or is treated as a bank holding company under the International Banking Act of 1978, as well as any affiliate or subsidiary of such companies.

Each agency prepared the section of the report relative to the banking entities that it supervises. Of the three sections in the report, the Federal Reserve prepared the first section, which covers state member banks, depository institution holding companies, Edge Act and agreement corporations, and the U.S. operations of foreign banking organizations (FBO). The FDIC and the OCC completed the second and third sections, respectively.

The report includes recommendations regarding 1) whether the activities or investments have or could have a negative effect on the safety and soundness of the banking entities or the U.S. financial system, 2) the appropriateness of the conduct of the activities or types of investment by banking entities, and 3) additional restrictions that may be necessary to address risks to safety and soundness arising from the permissible activities or types of investments of banking entities.

The Federal Reserve employs a risk-focused framework for supervising the banking entities for which it is responsible. This framework focuses on those areas that pose the greatest risk to the soundness of the institution and to U.S. financial stability. It is designed to be dynamic and forward-looking to ensure that the Federal Reserve can respond to changes in the condition of individual institutions and developments in the market. This process is also designed to reduce duplication and regulatory burden.

Additional information on the report is available at: www.federalreserve.gov/newsevents/press/bcreg/20160908a.htm

The Effects of Liquidity Regulation on Bank Assets and Liabilities

Of the many reform measures that make up the Basel Committee on Banking Supervision's Basel III rules, the newly implemented liquidity requirements may have the largest effect for some banking organizations.

In their recent article "The Effects of Liquidity Regulation on Bank Assets and Liabilities," Patty Duijm and Peter Wierts examine the effects of this newly implemented liquidity regulation on both sides of the balance sheet, as well as on the co-integration of liquid assets and liabilities.

The liquidity coverage ratio (LCR) garnered regulatory authority as a result of Basel III rules in 2013 and the framework for this ratio was developed over the following two years. Beginning in 2015, this ratio has been enforced to assist in ensuring short-term resilience in financial institutions. From the cited article, "it requires banks to hold a sufficient level of high-quality liquid assets against expected net liquid outflows over a thirty-day stress period, to promote short-term resilience." The motivation for this new measure was largely born from the liquidity crunch experienced in the global financial crisis of 2007.

Duijm and Wierts use data from a collection of Dutch banks because they have been subject to similar liquidity regulation since 2003. Their study finds that institutions' adjustments may skew more towards adjusting their liabilities than adjusting their liquid assets, and that there is a co-integration of liquid assets and liabilities.

Additional information on the LCR is available at: www.bis.org/publ/bcbs238.htm

The article is available at: www.ijcb.org/journal/ijcb16q2a9.pdf

Report Analysts

You may also wish to visit our website at <http://dallasfed.org/banking/regulatory> for electronic versions of our *Regulatory Reporting Newsletter* as well as the contact names, phone numbers and email addresses of our staff.

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