

loans and leases in the allowance for loan and lease losses. In making this change, the proposed requirement for banks to disclose the amount of provision for allocated transfer risk included in the provision for loan and lease losses would be replaced with a disclosure of the amount of ATRR related to loans included in the allowance for loan and lease losses. The reporting of loan charge-offs and recoveries and the reconciliation of the loan loss allowance in Call Report Schedule RI-B would also be conformed to this revised balance sheet and income statement presentation method for ATRRs.

Instructional Clarification for the Reporting of Certain Loans

Because of questions concerning the categorization of certain loans as trading assets, the agencies proposed to revise the Glossary entry for "Trading Account" and establish a rebuttable presumption that loans should not be reported as trading assets. The instructions would have explained that, in order to overcome this presumption for a particular loan, a bank must demonstrate, from the pattern and practice of its activity, that it is acquiring the loan principally for the purpose of selling it in the near term with the objective of generating profits on short-term differences in price. The instructions also would have identified two situations where loans should not be reported as trading assets.

Two commenters addressed this proposed instructional change. One recommended that the agencies avoid creating a "rebuttable presumption" that does not exist in the accounting literature. The other also noted certain difficulties with this presumption. These commenters believe that it is appropriate to classify loans as trading assets under GAAP when they have been acquired as part of a trading activity, trading business, or trading strategy. Reference was also made to the accounting literature for the broker-dealer industry because a broker-dealer's activities are similar to loan trading operations. In addition, one commenter agreed with the proposed instructional language stating that loans originated and held for securitization purposes should be reported as held for sale, but disagreed with the inclusion of loans acquired from third parties and held for securitization in the held-for-sale category.

In considering these two commenters' views, the agencies note that their primary purpose in proposing this instructional revision was to identify situations in which loans for which a

trading designation had been assigned should have been reported as held for sale or held for investment, based on facts and circumstances. As a result, the agencies conclude that it would be more appropriate to describe these situations in the General Instructions section of the Call Report loan schedule (Schedule RC-C, part I), which collects data on both loans held for sale and loans held for investment, rather than in the "Trading Account" Glossary entry. In so doing, the agencies have removed the rebuttable presumption language from the revision they are making to the loan schedule's General Instructions.

Furthermore, the agencies have retained the instructional language that explains that loans acquired, *i.e.*, originated or purchased, and held for securitization purposes should be reported as loans held for sale. The agencies believe that, under GAAP, the purchase and origination of loans for sale to permanent investors, which is a result of the securitization process, should be accounted for in the same manner, *i.e.* as loans held for sale. In this regard, FASB Statement No. 65, *Accounting for Certain Mortgage Banking Activities*, states that "[m]ortgage loans are acquired for sale to permanent investors from a variety of sources, including applications received directly from borrowers (in-house originations), purchases from realtors and brokers, [and] purchases from investors."

Earlier Public Release of Individual Bank Call Report Data

One commenter addressed the agencies' plan to begin posting the Call Reports for individual banks on the FDIC's Web site as soon as the agencies' analysis of an individual report has been completed. Because the agencies currently release the Call Reports for all banks simultaneously approximately 60 days after the quarter-end report date, this change would give the public access to some banks' Call Reports about 30 days sooner than at present. The commenter expressed general support for this change. However, this commenter suggested that, if market conditions were "turbulent," Call Report data should be released by peer group rather than by a small number of banks at a time in order to avoid unintended consequences to a bank whose data became publicly available sooner than the data for its peers.

In implementing this change in their policy for making Call Report data available to the public, which may begin as early as the first quarter 2003 Call Reports, the agencies believe that the method by which they will release the

data should mitigate the commenter's concern. The first quarter in which this posting process is implemented, individual bank reports for which the agencies' analyses have been completed will be posted to the Internet beginning the fifth Friday after the report date, *e.g.*, May 2, 2003, for the March 31, 2003, report or August 1, 2003, for the June 30, 2003, report. Additional bank reports whose analyses have been completed will be posted each Friday thereafter. In quarters subsequent to the first quarter in which the early release of individual bank Call Report data to the Internet has been implemented, this posting process will start on the fourth Friday after the report date. Based on the agencies' experience in processing and analyzing Call Reports, about 1,500 or more individual bank reports would be placed on the FDIC's Web site on the initial posting date. Should the agencies decide to make individual banks' reports publicly available at an earlier date, banks will be notified in advance of such a change.

Other Comments

One commenter asked the agencies to revise the Call Report to collect additional detailed data on construction and land development loans, *e.g.*, separate data for residential and nonresidential construction loans. Another commenter suggested that "additional institutional detail" be collected on the deposit balances of individuals, partnerships, and corporations. The agencies had not included revisions of this nature in their November 2002 proposal and are not implementing these commenters' recommended changes. However, the agencies are undertaking overall reviews of their Call Report data needs with respect to bank lending activities and bank liabilities and will include the commenters' suggestions in their reviews.

One commenter from a bank stated that because holdings of life insurance with cash surrender value are reported as part of "Other assets" on the Call Report, this reporting treatment gives the impression that this asset, which actually generates earnings, is not an earning asset. This banker observed that most of his bank's peer group comparisons are distorted because the denominator in many ratios is "earning assets," which does not include cash value life insurance. The commenter recommended that these holdings of life insurance should be treated as an earning asset for analytical purposes. The agencies note that the amount of a bank's "earning assets" is not collected in the Call Report, but is a figure that