

least 2 years; (2) any overhead traffic on the line can be rerouted; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the line either is pending with the Surface Transportation Board (Board) or with any U.S. District Court or has been decided in favor of complainant within the 2-year period; and (4) the requirements at 49 CFR 1105.7 (environmental reports), 49 CFR 1105.8 (historic reports), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979). To address whether this condition adequately protects affected employees, a petition for partial revocation under 49 U.S.C. 10502(d) must be filed.

Provided no formal expression of intent to file an offer of financial assistance (OFA) has been received, this exemption will be effective on November 1, 1997, unless stayed pending reconsideration. Petitions to stay that do not involve environmental issues,<sup>2</sup> formal expressions of intent to file an OFA under 49 CFR 1152.27(c)(2),<sup>3</sup> and trail use/rail banking requests under 49 CFR 1152.29 must be filed by October 14, 1997. Petitions to reopen or requests for public use conditions under 49 CFR 1152.28 must be filed by October 22, 1997, with: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423.

A copy of any petition filed with the Board should be sent to applicant's representative: Thomas J. Litwiler, Oppenheimer Wolff & Donnelly, Two Prudential Plaza, 45th Floor, 180 North Stetson Avenue, Chicago, IL 60601.

If the verified notice contains false or misleading information, the exemption is void *ab initio*.

W&LE has filed an environmental report which addresses the

abandonment's effects, if any, on the environment and historic resources. The Section of Environmental Analysis (SEA) will issue an environmental assessment (EA) by October 7, 1997. Interested persons may obtain a copy of the EA by writing to SEA (Room 500, Surface Transportation Board, Washington, DC 20423) or by calling SEA, at (202) 565-1545. Comments on environmental and historic preservation matters must be filed within 15 days after the EA becomes available to the public.

Environmental, historic preservation, public use, or trail use/rail banking conditions will be imposed, where appropriate, in a subsequent decision.

Pursuant to the provisions of 49 CFR 1152.29(e)(2), W&LE shall file a notice of consummation with the Board to signify that it has exercised the authority granted and fully abandoned the line. If consummation has not been effected by W&LE's filing of a notice of consummation by October 2, 1998, and there are no legal or regulatory barriers to consummation, the authority to abandon will automatically expire.

Decided: September 25, 1997.

By the Board, David M. Konschnick, Director, Office of Proceedings.

**Vernon A. Williams,**  
Secretary.

[FR Doc. 97-26173 Filed 10-1-97; 8:45 am]  
BILLING CODE 4915-00-P

## DEPARTMENT OF THE TREASURY

### Office of the Comptroller of the Currency

#### Federal Reserve System

#### Federal Deposit Insurance Corporation

#### Proposed Agency Information Collection Activities; Comment Request

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

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

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the OCC, the Board, and the FDIC (the "agencies") may not conduct or sponsor, and the respondent is not required to respond to, and information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid Office of Management

and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies' publication for public comment of proposed revisions to the Consolidated Reports of Condition and Income (Call Report), which are currently approved collections of information. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC should modify the proposed revisions prior to giving its final approval. The agencies will then submit the revisions to OMB for review and approval.

**DATES:** Comments must be submitted on or before December 1, 1997.

**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:** Written comments should be submitted to the Communications Division, Third Floor, Office of the Comptroller of the Currency, 250 E Street, S.W., Washington, D.C. 20219; Attention: Paperwork Docket No. 1557-0081 (FAX number (202) 874-5274; Internet address: REGS.comments@occ.treas.gov). Comments will be available for inspection and photocopying at that address.

**Board:** Written comments should be addressed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551, or delivered to the Board's mail room between 8:45 a.m. and 5:15 p.m., and to the security control room outside of those hours. Both the mail room and the security control room are accessible from the courtyard entrance on 20th Street between Constitution Avenue and C Street, N.W. Comments received may be inspected in room M-P-500 between 9:00 a.m. and 5:00 p.m., except as provided in section 261.8 of the Board's Rules Regarding Availability of Information, 12 CFR 261.8(a).

**FDIC:** Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments/OES, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429. 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 7:00 a.m. and 5:00 p.m. (Fax number: (202) 898-3838; Internet address: comments@fdic.gov).

<sup>2</sup>The Board will grant a stay if an informed decision on environmental issues (whether raised by a party or by the Board's Section of Environmental Analysis in its independent investigation) cannot be made before the exemption's effective date. See *Exemption of Out-of-Service Rail Lines*, 5 I.C.C. 2d 377 (1989). Any request for a stay should be filed as soon as possible so that the Board may take appropriate action before the exemption's effective date.

<sup>3</sup>Each offer of financial assistance must be accompanied by the filing fee, which currently is set at \$900. See 49 CFR 1002.2(f)(25).

Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, N.W., Washington, D.C., between 9:00 a.m. and 4:30 p.m. on business days.

A copy of the comments may also be submitted to the OMB desk officer for the agencies: Alexander Hunt, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 3208, Washington, D.C. 20503.

**FOR FURTHER INFORMATION CONTACT:**

A copy of the proposed revisions to the collections of information may be requested from any of the agency clearance officers whose names appear below.

*OCC:* Jessie Gates, OCC Clearance Officer, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, S.W., Washington, D.C. 20219.

*Board:* Mary M. McLaughlin, Board Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may contact Diane Jenkins, (202) 452-3544, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551.

*FDIC:* Steven F. Hanft, FDIC Clearance Officer, (202) 898-3907, Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street N.W., Washington, DC 20429.

**SUPPLEMENTARY INFORMATION:** Proposal to revise the following currently approved collections of information:

*Title:* Consolidated Reports of Condition and Income.

*Form Number:* FFIEC 031, 032, 033,034.<sup>1</sup>

**For OCC**

*OMB Number:* 1557-0081.

*Frequency of Response:* Quarterly.

*Affected Public:* National Banks.

*Estimated Number of Respondents:* 2,700 national banks.

*Estimated Time per Response:* 40.34 burden hours.

*Estimated Total Annual Burden:* 435,672 burden hours.

<sup>1</sup> The FFIEC 031 report form is filed by banks with domestic and foreign offices. The FFIEC 032 report form is filed by banks with domestic offices only and total assets of \$300 million or more. The FFIEC 033 report form is filed by banks with domestic offices only and total assets of \$100 million or more but less than \$300 million. The FFIEC 034 report form is filed by banks with domestic offices only and total assets of less than \$100 million.

**For Board**

*OMB Number:* 7100-0036.

*Frequency of Response:* Quarterly.

*Affected Public:* State Member Banks.

*Estimated Number of Respondents:* 1,002 state member banks.

*Estimated Time per Response:* 46.46 burden hours.

*Estimated Total Annual Burden:* 186,215 burden hours.

**For FDIC**

*OMB Number:* 3064-0052.

*Frequency of Response:* Quarterly.

*Affected Public:* Insured State Nonmember Commercial and Savings Banks.

*Estimated Number of Respondents:* 6,374 insured state nonmember commercial and savings banks.

*Estimated Time per Response:* 30.27 burden hours.

*Estimated Total Annual Burden:* 771,859 burden hours.

The estimated time per response is an average which varies by agency because of differences in the composition of the banks under each agency's supervision (e.g., size distribution of banks, types of activities in which they are engaged, and number of banks with foreign offices). The time per response for a bank is estimated to range from 15 to 400 hours, depending on individual circumstances.

**General Description of Report**

This information collection is mandatory: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 (for state member banks), and 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks). Except for select sensitive items, this information collection is not given confidential treatment. Small businesses (i.e., small banks) are affected.

**Abstract**

Consolidated Reports of Condition and Income are filed quarterly with the agencies for their use in monitoring the condition and performance of reporting banks and the industry as a whole. The reports are also used to calculate banks' deposit insurance and Financing Corporation assessments and for monetary policy and other public policy purposes.

**Current Actions**

The reporting frequency for the "Preferred deposits" item would be changed from quarterly to annually and the level of detail in the trading assets and liabilities schedule generally applicable only to larger banks would be reduced. Existing items for "high-risk mortgage securities" and "structured

notes" would be replaced by items for "mortgage-backed securities backed by closed-end first lien 1-4 family residential mortgages" and "other securities" whose price volatility in response to specified interest rate changes exceeds a specified threshold level. New items would be added for reporting on transactions with affiliates, low level recourse transactions, and (on the FFIEC 031 and 032 report forms only) capital requirements for market risk. The reporting requirements relating to allowances and provisions for credit losses would be clarified. For banks with foreign offices, holdings of available-for-sale securities in the domestic office assets and liabilities schedule would begin to be reported on a cost basis rather than at fair value. The categorization of securitized consumer loans for the purchase of light trucks and vans for personal use in two Memorandum items collected annually from larger banks also would be revised.

*Type of Review:* Revision.

The proposed revisions to the Consolidated Reports of Condition and Income (Call Report) that are discussed below have been approved for publication by the FFIEC. Unless otherwise indicated, the agencies would implement these proposed Call Report changes as of the March 31, 1998, report date and the revisions would apply to all four sets of report forms (FFIEC 031, 032, 033, and 034). Nonetheless, as is customary for Call Report changes, banks are advised that, for the March 31, 1998, report date, reasonable estimates may be provided for any new or revised item for which the requested information is not readily available. The specific wording of the captions for the new or revised Call Report items discussed below should be regarded as preliminary.

**Reductions in Frequency and Detail**

Based on their review of the current content of the Call Report, the agencies are proposing to reduce the reporting frequency for one item applicable to all banks and to reduce the level of detail in one schedule applicable to larger banks, as follows:

*(1) Schedule RC-E—Deposit Liabilities*

Memorandum item 1.e., "Preferred deposits," would be collected annually as of December 31 rather than quarterly as at present. In general, preferred deposits are deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. This Memorandum item was added to the Call Report in 1993 in response to a newly enacted statutory requirement directing the FDIC

to ensure that it "receives on a regular basis" from each FDIC-insured depository institution information on the amount of preferred deposits (12 U.S.C. 1817(a)(9)).

The agencies understand that bankers have identified the "Preferred deposits" item as one of the Call Report items they have found to be particularly burdensome. Moreover, the statute does not specifically mandate quarterly reporting for this item. Thus, the FDIC has determined that collecting information on preferred deposits on an annual, rather than quarterly, basis would be consistent with the statutory requirement and would be adequate for purposes of meeting the FDIC's obligations under the Federal Deposit Insurance Act.

*(2) Schedule RC-D—Trading Assets and Liabilities*

This schedule is completed by banks with \$1 billion or more in total assets or with \$2 billion or more in notional amount of off-balance sheet derivative contracts. The agencies are proposing to eliminate item 6, "Certificates of deposit (in domestic offices)," item 7, "Commercial paper (in domestic offices)," and item 8, "Bankers acceptances (in domestic offices)." Commercial paper held for trading would begin to be reported as part of a bank's trading account securities, normally in Schedule RC-D, item 5, "Other debt securities (in domestic offices)," consistent with the change in balance sheet classification of commercial paper not held for trading and the elimination of the loan schedule Memorandum item for commercial paper, both of which took effect as of March 31, 1997. As for certificates of deposit and bankers acceptances held for trading, the reporting of these two types of instruments in separate Schedule RC-D items is no longer considered sufficiently useful to warrant retaining items 6 and 8. Instead, these instruments would be included in a bank's "Other trading assets (in domestic offices)," which are reported in Scheduled RC-D, item 9.

**Investment Securities With High Price Volatility**

In December 1991, the FFIEC approved and the agencies adopted a Supervisory Policy Statement on Securities Activities which became effective on February 10, 1992 (57 FR 4029, February 3, 1992). Under this policy statement, prior to purchase and at subsequent testing dates, banks must test mortgage derivative products to determine whether they are "high-risk" or "nonhigh-risk." These tests measure

the expected weighted average life, average life sensitivity, and price sensitivity of mortgage derivative securities for specified changes in interest rates. During 1994, the agencies issued supervisory guidance concerning bank investments in "structured notes" which, in general, are debt securities (other than mortgage-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. Beginning in 1995, banks began to report the amortized cost and the fair value of their investment portfolio holdings of high-risk mortgage securities (Schedule RC-B, Memorandum items 8.a and 8.b) and structured notes (Schedule RC-B, Memorandum items 9.a and 9.b).

With regard to structured notes, supervisory attention has primarily focused on ensuring that institutions understand and evaluate the market risks associated with these instruments. Instruments that have high market value or fair value sensitivity to changes in interest rates or other appropriate market risk factors, such as foreign exchange rates, have been the primary targets of such attention. However, some of the structured notes currently reported in Schedule RC-B, Memorandum item 9, may not have high market risk profiles and, in some cases, may have lower market risk volatility profiles than generic U.S. Treasury and U.S. Government agency securities. As a consequence, the agencies are considering revising the information collected on these instruments for supervisory purposes to reflect information based on significant price volatility under specific interest rate or major factor scenarios, e.g., an estimated change in value of 20 percent or more due to an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points. When the agencies develop the specific tests for significant price volatility, existing Memorandum items 9.a and 9.b on Schedule RC-B would be replaced with revised items requesting the amortized cost and fair value of securities (other than mortgage-backed securities backed by closed-end first lien 1-4 family residential mortgages) whose price volatility exceeds the specified threshold level under the specified interest rate or major factor scenario.

This consistency, Schedule RC-B, Memorandum items 8.a and 8.b, which currently collect information on "high-risk" mortgage securities would be similarly replaced with items requesting the amortized cost and fair value of

mortgage-backed securities backed by closed-end first lien 1-4 family residential mortgages whose price volatility exceeds a specified threshold level under a specified interest rate or major factor scenario. These mortgage-backed securities would be either the same as or a subset of the mortgage-backed securities currently reported in Schedule RC-B, Memorandum items 8.a and 8.b.

If the agencies' specific tests for significant price volatility have not been developed in time to implement this proposed reporting change as of the March 31, 1998, report date, this Call Report revision would take effect at a report date later in 1998 (or thereafter) after the volatility tests have been devised.

**Transactions Between Banks and Their Affiliates**

Section 23A of the Federal Reserve Act is designed to safeguard the resources of banks against misuse for the benefit of organizations under common control with the bank by regulating certain "covered transactions" (loans or extensions of credit and other transactions that expose the bank to risk) with an affiliate. Section 23A restricts the amount of such on terms that are at least as favorable to the bank as transactions with unaffiliated companies. As the activities of nonbank subsidiaries of bank holding companies have expanded, and as regulatory restrictions have been reduced, more reliance has been placed on Sections 23A and 23B to insulate institutions from the risks posed by transactions with their affiliates.

Section 23A permits a bank to engage in covered transactions with affiliates so long as the covered transactions do not in the aggregate exceed: (1) 10 percent of the bank's capital stock and surplus with respect to a single affiliate and (2) 20 percent of capital and surplus with respect to all affiliates. Covered transactions are specifically described in Section 23A and include (a) loans and extensions of credit to an affiliate, (b) the purchase of securities issued by an affiliate, (c) the purchase of nonexempted assets from an affiliate, (d) the acceptance of securities issued by an affiliate as collateral for any loan to an unaffiliated company, and (e) the issuance of guarantee, acceptance, or letter of credit on behalf of an affiliate. In addition to the quantitative limits on a bank's exposure to an affiliate, Section 23A also imposes collateral requirements when a bank is lending to the affiliate or is issuing a guarantee, acceptance, or letter of credit for the account of the affiliate. These exposures

are the most direct method by which a bank can expose itself to an affiliate, and the collateral requirements are designed to diminish any risk related to these exposures.

In order to monitor compliance with the aggregate limits in Section 23A and to identify institution-specific and industry-wide levels of changes in covered transaction which a bank can expose itself to an affiliate, and the collateral requirements are designed to diminish any risk related to these exposures.

In order to monitor compliance with the aggregate limits in Section 23A and to identify institution-specific and industry-wide levels of and changes in covered transaction activity and its effects on bank risk exposures, the agencies are proposing to add four new items to Schedule RC—M—Memoranda. For covered transactions subject to Section 23A's collateral requirements, bank would report (a) the outstanding amount of such transactions as of the Call Report date and (b) the maximum amount of such transactions during the calendar quarter ending with the report date. For covered transactions not subject to the collateral requirements, banks would likewise report (a) the outstanding amount of such transactions as of the Call Report date and (b) maximum amount of such transactions during the calendar quarter ending with the report date. Transactions that are exempt from quantitative limits under the statute, e.g., extensions of credit fully secured by U.S. Government securities and transactions with affiliate (sister) banks, would be excluded from being reported in the proposed items.

The agencies specifically request comment on the burden associated with reporting date on covered transactions. Comment is also requested on potential ways to reduce burden with respect to these items, in particular the proposed reporting of the maximum amount of such transactions during the calendar quarter ending with the report date. For example, maximum amounts could be required to be reported only under certain conditions, e.g., if they are significantly higher than the end of period amount or if they approach the quantitative limits.

#### **Reporting of Low Level Recourse Transactions for Risk-Based Capital Purposes**

The agencies' risk-based capital standards provide that the amount of risk-based capital that must be maintained for assets transferred with recourse should not exceed the maximum amount of recourse for which a bank is contractually liable under the

recourse agreement. This rule applies to transactions in which a bank contractually limits its risk of loss or recourse exposure to less than the full effective minimum risk-based capital requirement for the assets transferred—generally, four percent for qualifying first lien residential mortgages and eight percent for most other assets. The low level recourse rule also may apply to sales and securitizations of assets in which contractual cash flows (e.g., interest-only strips receivable and so-called spread accounts), retained subordinated interests, or other assets (e.g., collateral invested amounts or cash collateral accounts) act as credit enhancements. If this rule does apply to a credit enhancement of this type, the maximum contractual dollar amount of the bank's exposure as of a Call Report date is generally limited to the amount carried as an asset on the balance sheet (Schedule RC) in accordance with generally accepted accounting principles.

Current Call Report instructions require a bank to report its low level recourse transactions in Schedule RC—R—Regulatory Capital using the so-called "gross-up" method.

In general, this method requires the bank to multiply the maximum amount of its recourse exposure by the reciprocal of the full effective minimum risk-based capital requirement for the assets transferred and to report the resulting dollar amount as an off-balance sheet credit equivalent amount in the risk weight category appropriate to the assets transferred.<sup>2</sup>

However, the greater the volume of a bank's low level recourse transactions and the higher the bank's risk-based capital ratio in relation to the minimum requirement, the more the bank's calculated risk-based capital ratios become distorted as a result of applying the gross-up method. In these situations, another method of handling the bank's low level recourse transactions—the so-called "direct reduction" method—results in a more accurate measure of the bank's risk-based capital ratios. Under the direct reduction method, a bank generally would reduce its Tier 1 capital by the maximum amount of its recourse exposure (and would exclude this amount from its assets if the exposure were in the form of an on-balance sheet asset). Nevertheless, the

Call Report instructions do not currently permit banks to use the direct reduction method when completing Schedule RC—R because the schedule's existing format does not provide a means for banks to disclose the amount by which assets and Tier 1 capital have been reduced through the application of the direct reduction method. Without knowing this amount, the agencies cannot readily verify the reported capital amounts and risk-weighted asset amounts for banks that would use the direct reduction method when reporting their low level recourse exposures.

Some bankers with low level recourse transactions have expressed a strong preference for using the direct reduction method rather than the gross-up method. The agencies also note that savings associations report the dollar amount of their low level recourse exposures in the Thrift Financial Reports they file with the Office of Thrift Supervision in a manner consistent with the direct reduction method. Accordingly, the agencies are proposing to add a new subitem under Schedule RC—R, item 3, "Amounts used in calculating regulatory capital ratios," for the "Maximum contractual dollar amount of recourse exposure in low level recourse transactions." Banks preferring to apply the direct reduction method to these exposures when they complete Schedule RC—R would need to complete this new item and would include any on-balance sheet asset amounts that represent low level recourse exposures in item 8 of Schedule RC—R. Banks preferring to report their low level recourse exposures under the gross-up method would retain the option to use this method.

#### **Capital Requirements for Market Risk**

In 1996, the agencies amended their risk-based capital standards to require banks with substantial trading activity to hold capital based on their market risk exposure. The new rule applies to banks with either (1) total trading assets and trading liabilities of at least \$1 billion or (2) total trading assets and trading liabilities in excess of 10 percent of total assets, unless exempted by their supervisory agency. The banks that will be subject to this new rule must comply with the market risk capital requirements by January 1, 1998. The market risk rule supplements the risk-based capital ratio calculations that focus principally on credit risk and adjusts both the risk-based capital ratio denominator and numerator. These adjustments involve "market risk equivalent assets" for the denominator and "Tier 3 capital" for the numerator.

<sup>2</sup> For example, if the bank's maximum contractual exposure is \$10 million and the transferred assets would be in the 100 percent risk weight category, the bank would report a credit equivalent amount of \$125 million [ $\$10 \text{ million} \times (1/.08)$ ] in the Schedule RC—R item for credit equivalent amounts of off-balance sheet items assigned to the 100 percent risk category (item 7.b).

To enable the agencies and other users of the Call Report to calculate the risk-based capital ratios of those banks subject to the market risk rule, the agencies are proposing to add two new subitems to Schedule RC-R, item 3, "Amounts used in calculating regulatory capital ratios," on the FFIEC 031 and 032 report forms only. In these new subitems, banks would report their "Market risk equivalent assets" and their "Tier 3 capital." In addition, the instructions for items 4 through 7 of Schedule RC-R, which are the items in which banks report their assets and the credit equivalent amounts of their off-balance sheet items by risk weight category, and item 8, "On-balance sheet asset values excluded from and deducted in the calculation of the risk-based capital ratio," would be revised. As revised, the instructions would tell banks to exclude from items 4 through 7 the amounts of all "covered positions" (except foreign exchange positions outside the trading account and over-the-counter derivative positions) and to report the amounts of those "covered positions" that are on the balance sheet in item 8. The term "covered positions" means all positions in a bank's trading account, and all foreign exchange and commodity positions, whether or not in the trading account.

#### **Allowance for Credit Losses**

The American Institute of Certified Public Accountants' *Audit and Accounting Guide for Banks and Savings Institutions*, issued as of April 1, 1996, requires the allocation on the balance sheet of the allowance for credit losses between on-balance sheet financial instruments and off-balance sheet credit exposures. Previously, these allowance components often were reported in the aggregate in the allowance for loan and lease losses (ALLL).

Banks have been advised to allocate the allowance for credit losses on Schedule RC-Balance Sheet consistent with their allocation methodology for other financial reporting purposes. For example, portions of the allowance related to off-balance sheet credit exposures that are reported as liabilities are to be included in Schedule RC, item 20, "Other liabilities," and in item 4 of Schedule RC-G. Banks also have been advised to aggregate these components of the allowance for credit losses when completing Schedule RI-B, part II—Changes in Allowance for Loan and Lease Losses. Institutions have been encouraged to disclose the amounts of these components in Schedule RI-E, item 9, "Other explanations."

The agencies are proposing to retain this method of reporting the allowance for credit losses. In so doing, Schedule RI-B, part II, would be retitled Changes in Allowance for Credit Losses, and item 4.a of Schedule RI—Income Statement would be recaptioned "Provision for credit losses." However, Schedule RI-B, part I—Charge-offs Recoveries on Loans and Leases would not be changed, i.e., banks would continue to disclose their loan and lease charge-offs and recoveries only.

Under the reporting standards in effect prior to the effective date of the revised audit and accounting guide, banks had included all the portion of the allowance related to off-balance sheet credit exposures in Tier 2 capital for risk-based capital purpose, subject to specified limits. This regulatory capital treatment remains in effect under the new reporting standards set forth in the revised audit and accounting guide.

#### **Reporting by Banks With Foreign Offices of Investment Securities Holdings in the Domestic Office Assets and Liabilities Schedule**

On the FFIEC 031 version of the Call Report forms, banks with foreign offices report a breakdown of the investment securities they hold in domestic offices by type of security in Schedule RC-H—Selected Balance Sheet Items for Domestic Offices. These investment securities holdings are reported in Schedule RC-H on the same basis as they are reported on these banks' consolidated balance sheet (Schedule RC), i.e., held-to-maturity securities are reported at amortized cost while available-for-sale securities are reported at fair value. In the (consolidated) securities schedule (Schedule RC-B), held-to-maturity and available-for-sale securities are each separately reported at amortized cost and at fair value. This reporting treatment was implementing in 1994 when Financial Accounting Standards Board Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," took effect.

Based on a review of the manner in which the domestic office securities data reported in items 10 through 17 of Schedule RC-H are analyzed and compared to other measures of domestic securities which are held by nonbank sectors and reported on a cost basis, the agencies are proposing to require banks with foreign offices to report all investment securities held in domestic offices on a cost basis in these eight Schedule RC-H items. This would mean that available-for-sale debt securities would be reflected in Schedule RC-H, items 10 through 17, at amortized cost rather than at fair value while equity

securities would be included in this schedule at historical cost. This cost basis data should be available to banks with foreign offices because the amortized/historical cost of their entire investment securities portfolio is currently reported in the (consolidated) securities schedule (Schedule RC-B).

This proposed change would not affect the reporting of a bank's held-to-maturity or available-for-sale securities on the Call Report balance sheet (Schedule RC) or on the securities schedule (Schedule RC-B), nor would it alter the reporting of total assets in domestic offices in Schedule RC-H, item 8.

#### **Reporting of Securitized Consumer Loans for Vehicle Purchases**

On the FFIEC 031 and 032 versions of the Call Report forms, banks with foreign offices or with \$300 million or more in assets report annually as of September 30 the amount of their securitized consumer installment loans to purchase private passenger automobiles and the amount of all other securitized consumer installment loans (excluding credit cards and related plans) in Schedule RC-L, Memorandum items 5.a and 5.c, respectively. The instructions for these items currently direct banks to report securitized consumer loans for the purchase of pickup trucks and vans in the "all other" category, not in the "private passenger automobiles" category.

Based on a review of the manner in which these data are used for analyzing consumer credit markets, the agencies believe that securitized consumer loans for the purchase of pickup trucks, other light trucks, and vans for personal use would be more appropriately classified in the "private passenger automobiles" category. The instructions for Memorandum item 5.a would be revised so that banks would begin to include securitized consumer loans to purchase vans and light trucks (such as pickup trucks) for personal use in this item rather than in Memorandum item 5.c. In addition, the agencies would strike the word "installment" from the captions and instructions throughout Memorandum item 5.

#### **Request for Comment**

Comments submitted in response to this 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. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of the information

collection request. Comments are invited on: (a) Whether the proposed revisions to the following 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' estimate 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 collection 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 are also requested on the expected effects on information currently reported in the Call Report resulting from this implementation of those portions of Financial Accounting Standards Board Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," that have had their effective date delayed until after December 31, 1997. The agencies are evaluating the need for additional data in this area. These portions of Statement No. 125 address collateral and secured borrowings, repurchase agreements, dollar-rolls, securities lending, and similar transactions.

Banks should note that the FDIC is considering amendments to its regulations on the deposit insurance assessment base (12 CFR part 327) which may require certain changes to the Call Report. Should the FDIC adopt amendments that necessitate changes to the Call Report in 1998, those changes will be separately published for public comment as required under the Paperwork Reduction Act of 1995.

Dated: September 26, 1997.

**Karen Solomon,**

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

Board of Governors of the Federal Reserve System, September 18, 1997.

**William W. Wiles,**

*Secretary of the Board.*

Dated at Washington, D.C., this 17th day of September, 1997.

Federal Deposit Insurance Corporation.

**Steven Hanft,**

*Assistant Executive Secretary.*

[FR Doc. 97-26131 Filed 10-1-97; 8:45 am]

BILLING CODE 4810-33-M(1/3), 6210-01-M(1/3), 6714-01-M(1/3)

**DEPARTMENT OF THE TREASURY**

**Internal Revenue Service**

**Privacy Act of 1974, as amended;  
System of Records**

**AGENCY:** Internal Revenue Service, Treasury

**ACTION:** Notice of alteration of Privacy Act system of records

**SUMMARY:** The Treasury Department, Internal Revenue Service, gives notice of a proposed alteration to the system of records entitled, "General Personnel and Payroll Records -Treasury/IRS 36.003," which is subject to the Privacy Act of 1974, as amended, 5 U.S.C. 552a. The system notice was last published in its entirety in the **Federal Register**, Vol. 60, page 56804, on November 9, 1995.

**DATES:** Comments must be received no later than November 3, 1997. The alteration to the system of records will be effective November 16, 1997, unless comments are received which result in a contrary determination.

**ADDRESSES:** Comments should be sent to the Office of Governmental Liaison & Disclosure, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224. Comments will be made available for public inspection and copying in the Internal Revenue Service Freedom of Information Reading Room, 1111 Constitution Avenue, NW, Room 1621, Washington, DC 20224, telephone number (202) 622-5164, (not a toll free call).

**FOR FURTHER INFORMATION CONTACT:**

James O'Malley, Acting National Director, Personnel Division, Internal Revenue Service, (202) 874-6135.

**SUPPLEMENTARY INFORMATION:** The purpose of the alteration is to add two routine uses to the current routine uses as a result of Executive Order 12897 dated February 3, 1994, and the likelihood that the Service will be requested to respond to increasing numbers of support garnishment interrogatories.

Currently, routine use number (7) is used to disclose information on records, where there is an indication of a violation or potential violation of law, whether civil, criminal, or regulatory in nature, to any appropriate agency, whether Federal, state, or local, charged with the responsibility of investigating or prosecuting such violation or charged with enforcing or implementing the statute, rule, regulation, or order issued pursuant thereto or upon request of the agency when the agency is investigating the possible violation of their rules or regulations.

The Internal Revenue Service (IRS) believes that the current routine use number (7) allows the IRS to disclose the information requested in the interrogatories, although the interrogatories are not specifically addressed. However, a new routine use (21) is being added to clarify that information from this system of records may be disclosed in response to garnishment interrogatories. A second routine use (22) is also being added as a result of the issuance of Executive Order 12897 entitled "Garnishment of Federal Employees' Pay," which will permit non-Federal entities (i.e., commercial creditors) to request garnishment of any employee's pay for just debts owing to these companies which have been reduced to a judgement.

The alteration to the existing Privacy Act notice also incorporates the Executive Order under the data element "Authority for Maintenance of the System" to bring this system into compliance with the requirements of the Privacy Act. The specific changes to the record system being altered are set forth below.

Under "Authority for Maintenance of the System:" delete the period after Executive Order 10561 and add "and Executive Order 12897."

Under "Routine Uses of Records Maintained in the System, Including Categories of Users and the Purposes of Such Uses;" add two routine uses by inserting the following text after routine use numbered twenty (20): "(21) Respond to state and local authorities for support garnishment interrogatories; and (22) Provide information to private creditors for the purpose of garnishment of wages of an employee if a debt has been reduced to a judgement."

The specific changes to the system notice are published below.

Dated: September 24, 1997.

**Alex Rodriguez,**

*Deputy Assistant Secretary (Administration).*

**Treasury/IRS 36.003**

**SYSTEM NAME:**

General Personnel and Payroll Records—Treasury/IRS

\* \* \* \* \*

**AUTHORITY FOR MAINTENANCE OF THE SYSTEM:**

Description of change: Remove "and Executive Order 10561." and add "Executive Order 10561 and Executive Order 12897. "

\* \* \* \* \*

Description of changes: Replace the period at the end of routine use number