

OMB Number: 1545-1274.

Form Number: IRS Form 8453-NR.

Type of Review: Extension.

Title: U.S. Nonresident Alien Income Tax Declaration for Magnetic Media Filing.

Description: This form is used to secure taxpayer signatures and declarations in conjunction with the Magnetic Media Filing program. This form, together with the electronic transmission comprises the taxpayer's income tax return.

Respondents: Individuals or households.

Estimated Number of Respondents/Recordkeeping: 5,000.

Estimated Burden Hours Per Respondent/Recordkeeping: 15 minutes.

Frequency of Response: Annually.

Estimated Total Reporting/Recordkeeping Burden: 1,250 hours.

OMB Number: 1545-1468.

Form Number: IRS Form 1040NR-EZ.

Type of Review: Revision.

Title: U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents.

Description: This form is used by certain nonresident aliens with no dependents to report their income subject to tax and compute the correct tax liability. The information on the return is used to determine whether income, deductions, credits, payments, etc., are correctly figured.

Respondents: Individuals or households.

Estimated Number of Respondents/Recordkeepers: 100,000.

Estimated Burden Hours Per Respondent/Recordkeeper:

Recordkeeping—1 hr., 19 min.

Learning about the law or the form—50 min.

Preparing the form—1 hr., 44 min.

Copying, assembling, and sending the form to the IRS—35 min.

Frequency of Response: Annually.

Estimated Total Reporting/Recordkeeping Burden: 445,000 hours.

Clearance Officer: Garrick Shear, (202) 622-3869, Internal Revenue Service, Room 5571, 1111 Constitution Avenue, NW, Washington, DC 20224.

OMB Reviewer: Alexander T. Hunt, (202) 395-7860, Office of Management and Budget, Room 10226, New Executive Office Building, Washington, DC 20503.

Lois K. Holland,

Departmental Reports Management Officer.

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## 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, an 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 November 30, 1998.

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 others.

OCC: Written comments should be submitted to the Communications Divisions, Office of the Comptroller of the Currency, 250 E Street, S.W., Third Floor, Washington, D.C. 20219; Attention: Paperwork Docket No. 1557-0081 [FAX number (202) 874-5274; Internet address: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)]. Comments will be available for

inspection and photocopying at that address.

Board: Written comments should be addressed to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20051, 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 § 261.12 of the Board's Rules Regarding Availability of Information, 12 CFR 261.12(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](mailto:comments@fdic.gov)). 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 T. 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, or Camille Dixon, (202) 874-5090, Office of the Comptroller of the Currency, 20 E Street, S.W., Washington, D.C. 20219.

Board: Mary M. McLaughlin, Chief, Financial Reports Section, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 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, D.C. 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, D.C. 20429.

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

*Report Title:* Consolidated Reports of Condition and Income.

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

*Frequency of Response:* Quarterly.

*Affected Public:* Business or other for-profit.

#### *For OCC*

*OMB Number:* 1557-0081.

*Estimated Number of Respondents:* 2,650 national banks.

*Estimated Time per Response:* 39.92 burden hours.

*Estimated Total Annual Burden:* 423,205 burden hours.

#### *For Board*

*OMB Number:* 7100-0036.

*Estimated Number of Respondents:* 994 state member banks.

*Estimated Time per Response:* 45.80 burden hours.

*Estimated Total Annual Burden:* 182,101 burden hours.

#### *For FDIC*

*OMB Number:* 3064-0052.

*Estimated Number of Respondents:* 5,985 insured state nonmember banks.

*Estimated Time per Response:* 29.67 burden hours.

*Estimated Total Annual Burden:* 710,300 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**

Banks file Consolidated Reports of Condition and Income with the agencies each quarter for the agencies' use in monitoring the condition and performance of reporting banks and the industry as a whole. In addition, Call Reports provide the most current statistical data available for evaluating bank corporate applications such as mergers, for identifying areas of focus for both on-site and off-site examinations, and for monetary and other public policy purposes. Call Reports are also used to calculate all banks' deposit insurance and Financing Corporation assessments and national banks' semiannual assessment fees.

#### **Current Actions**

The agencies are proposing to delete the existing items for the amortized cost and fair value of high-risk mortgage securities and for losses deferred pursuant to 12 U.S.C. 1823(j). The deferred loss items appear only on the FFIEC 034 report forms. New Items would be added for accumulated gains (losses) associated with cash flow hedges and for the year-to-date changes in this new component of equity capital. A new or revised item would distinguish nonmortgage servicing assets from other intangible assets. A number of instructional changes would be made, primarily to incorporate recent changes in accounting standards, to further conform with generally accepted accounting principles in other areas, and to improve the reporting of certain regulatory capital information.

*Type of Review:* Revision of a currently approved correction.

The proposed revisions to the Consolidated Reports of Condition and Income (Call Report) 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, 1999, 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, 1999, 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 Call Report items should be regarded as preliminary.

#### **Reductions in Detail**

The agencies are proposing to eliminate two items applicable to all banks and two items on the report forms for smaller banks, as follows:

(1) Schedule RC-B—Securities: Banks report the amortized cost and fair value of "High-risk mortgage securities" in Memorandum items 8.a and 8.b, respectively. The definition of high-risk mortgage securities was taken from the Supervisory Policy Statement on Securities Activities, which the FFIEC approved and the agencies adopted in December 1991, effective February 10, 1992 (57 FR 4029, February 3, 1992). In April 1998, the FFIEC and the agencies rescinded this policy statement and approved in its place a Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities, effective May 26, 1998 (63 FR 20191, April 23, 1998). In adopting the new policy statement, the agencies removed the previous policy statement's specific constraints concerning investments in high-risk mortgage securities, including its "high risk" tests, and substituted broader guidance covering all investment securities, including the establishment by each institution of appropriate risk limits. Accordingly, the agencies are proposing to eliminate the two memorandum items for high-risk mortgage securities.

(2) Schedule RC—Balance Sheet: The balance sheet on the FFIEC 034 report forms includes two items in which banks participating in the agencies' agricultural loan loss deferral programs, which were mandated by 12 U.S.C. 1823(j) in 1987, have reported the unamortized amount of their deferred agricultural loan losses. Under these programs, all deferred losses must be fully amortized by December 31, 1998. Because participating banks will no longer have any deferred losses to report after 1998, items 12.b, 12.c, 28.b, and 28.c will be deleted from the balance sheet of the Call Report for small banks.

#### **Accumulated Gains (Losses) Associated With Cash Flow Hedges**

The Financial Accounting Standards Board (FASB) issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), on June 16, 1998. This statement takes effect for fiscal years beginning after June 15, 1999, with earlier application encouraged. Banks must adopt FAS 133 for Call Report purposes upon its effective date based on their fiscal year, with earlier application permitted as described in the standard. Most banks have calendar year fiscal years and, therefore, will not need this accounting

<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.

standard until January 1, 2000. However, some banks, primarily FDIC-supervised savings banks, have fiscal years that will require them to begin applying FAS 133 during 1999, e.g., beginning on July 1, 1999. Furthermore, the earliest date as of which an institution can choose to adopt this new accounting standard is July 1, 1998.

Under FAS 133, all derivatives must be reported as either assets or liabilities on the balance sheet and must be carried at fair value. If certain conditions are met, a derivative may be specifically designated as a "cash flow hedge." In a cash flow hedge, to the extent the hedge is effective, the gain or loss on the derivative is initially reported outside of earnings in a component of equity capital. The gain or loss will subsequently go through earnings in the period or periods when the transaction being hedged affects earnings. The ineffective portion of the hedge is reported in earnings immediately.<sup>2</sup>

As part of the disclosure requirements of FAS 133, an entity must disclose the accumulated gains (losses) associated with cash flow hedges that are included in equity capital as of the balance sheet date. An entity also must disclose the related net change associated with cash flow hedging transactions during the reporting period and the net amount of any reclassification of these gains (losses) into earnings. Accordingly, the agencies are proposing to add two new items. Banks would report the accumulated gains (losses) associated with cash flow hedges, as of the report date, in a new item in the equity capital section of the balance sheet (Schedule RC, item 26.c). Banks also would report the year-to-date change in these accumulated gains (losses) (i.e., net of any reclassification adjustment) in the changes in equity capital schedule (Schedule RI-A, item 11.b). Existing item 11 on Schedule RI-A would be remembered as item 11.a.

After a bank adopts FAS 133, derivatives held for purposes other than trading must be reported as fair value on the balance sheet (Schedule RC) in item 11, "Other assets," or item 20, "Other liabilities," as appropriate. Derivatives held for trading will continue to be reported at fair value on the balance sheet in Item 5, "Trading assets," or

item 15.b, "Trading liabilities," as appropriate.

The agencies request comment on whether banks will be adopting FAS 133 in 1998 or 1999, either earlier than required or because of the beginning date of their fiscal year.

### Nonmortgage Servicing Assets

On August 10, 1998, the agencies published a final rule amending their regulatory capital treatment of servicing assets (63 FR 42668). Under this amendment, nonmortgage servicing assets (NMSAs) will be recognized (rather than deducted) for regulatory capital purposes. However, these servicing assets are subject to the 25 percent of Tier 1 capital sublimit that previously applied only to purchased credit card relationships (PCCRs). To date, banks have reported their NMSAs as part of "All other identifiable intangible assets," in item 6.b.(2) of Call Report Schedule RC-M. This is because these intangibles generally have been deducted in full from Tier 1 capital and from assets in regulatory capital calculations. As a result of the revised regulatory capital treatment of NMSAs, these assets need to be distinguished from "All other identifiable intangible assets." This change is needed to enable the agencies to verify the regulatory capital amounts that banks report in the Call Report and to calculate their regulatory capital ratios.

Therefore, the agencies are considering two reporting alternatives to respond to this change in regulatory capital standards. One alternative is to add a new item 6.b.(2) for "Nonmortgage servicing assets" to Schedule RC-M and to renumber existing item 6.b.(2), "All other identifiable intangible assets," as item 6.b.(3). Another alternative is to revise Schedule RC-M, item 6.b.(1), "Purchased credit card relationships," to include NMSAs because these two types of intangibles are subject to the same Tier 1 capital sublimit. The proposed caption for this item is "Purchased credit card relationships and nonmortgage servicing assets." Comments are requested on these two alternatives.

### Instructional Changes

#### Computer Software Costs

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 provides guidance on whether costs of internal-use software should be capitalized (and

then amortized) or expensed as incurred. Internal-use software has the following characteristics: (a) the software is acquired, internally developed, or modified solely to meet the entity's internal needs, and (b) during the software's development or modification, no substantive plan exists or is being developed to market the software externally. This SOP is effective for financial statements for fiscal years beginning after December 15, 1998. The SOP encourages earlier application in fiscal years for which annual financial statements have not been issued. For Call Report purposes, banks must adopt this SOP upon its effective date based on their fiscal year. Early application is permitted in the Call Report in accordance with the transition guidance in the SOP's. The Call Report instructions will be revised to conform with SOP 98-1, including replacing the current Glossary entry for "Internally Developed Computer Software" with a new entry on computer software costs that summarizes SOP 98-1 and other relevant accounting standards.

#### Costs of Start-Up Activities

In April 1998, the AICPA issued SOP 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 requires costs of start-up activities, including organization costs, to be expensed as incurred. SOP 98-5 defines start-up activities broadly as "those one-time activities related to opening a new facility, introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or beneficiary, initiating a new process in an existing facility, or commencing some new operation." This SOP is effective for financial statements for fiscal years beginning after December 15, 1998. The SOP encourages earlier application in fiscal years for which annual financial statements have not been issued. For Call Report purposes, banks must adopt this SOP upon its effective date based on their fiscal year. Early application is permitted in the Call Report in accordance with the transition guidance in the SOP. The Call Report instructions will be revised to conform with SOP 98-5, including replacing the current Glossary entry for "Organization Costs" with a new entry on the costs of start-up activities that summarizes SOP 98-5.

#### Unsuitable Investment Practices

As mentioned above, the FFIEC and the agencies rescinded the Supervisory Policy Statement on Securities Activities in April 1998 and approved

<sup>2</sup> If certain other conditions are met, a derivative may be specifically designated as a "fair value hedge" or as a hedge of the foreign currency exposure of a net investment in a foreign operation. In these situations, the gain or loss on the derivative is reported in a different manner than the gain or loss on a cash flow hedge. If a derivative is not designated as a hedging instrument, the gain or loss on the derivative is recognized in current earnings.

in its place a Supervisory Policy Statement on Securities on Investment Securities and End-User Derivatives Activities. The latter policy statement does not retain the section of the former policy statement addressing the reporting of securities activities, including a description of practices considered unsuitable when conducted in a institution's investment portfolio. In their **Federal Register** notice publishing the Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities (63 FR 20191), the agencies stated their intent to separately issue supervisory guidance on the reporting of investment securities. The agencies are proposing to add guidance on this reporting matter to the Glossary section of the Call Report instructions. This approach will make guidance more readily accessible to banks as they prepare their Call Reports.

#### *Re-Booking Charged-Off Loans*

When a bank makes a full or partial direct write-down of a loan or lease that is uncollectible, the bank establishes a new cost basis for the asset. Some banks have later attempted to reverse the previous write-down and "re-book" the charged-off loan or lease after concluding that the prospects for recovering the charge-off have improved. Re-booking a charged-off loan is not an acceptable practice under generally accepted accounting principles, and therefore, is not acceptable for Call Report purposes. The Glossary entry for "allowance for loan and lease losses" will be revised to indicate that once a new cost basis has been established for a loan or lease through a direct write-down of the asset, this cost basis may not be "written up" at later date.

#### *Goodwill Transactions*

Under generally accepted accounting principles, goodwill and similar intangible assets ordinarily cannot be disposed of apart from an enterprise as a whole. However, an exception is made when a large segment or separable group of assets of an acquired company or an entire acquired company is sold or otherwise liquidated. In that case, some or all of the unamortized goodwill recognized in the acquisition should be included in the cost of the assets sold. GAAP further provides that an intangible asset such as goodwill should not be written off in the period of acquisition. Instead, an intangible asset should be amortized over its estimated life. Some banks have attempted to remove goodwill from their balance sheets by "selling" or "dividend" this asset to their parent hold company

or by charging it off in the year of acquisition. Because these transactions are not appropriate under generally accepted accounting principles, the agencies will revise the Glossary entry for "business combinations" and the instructions for Schedule RC-M, item 6.c, "Goodwill," to explain that these transactions are not acceptable for Call Report purposes.

#### *Reporting of Net Risk-Weighted Assets by Banks Subject to the Market Risk Capital Guidelines*

Banks that are subject to the market risk capital guidelines must report the amount of their "Market risk equivalent assets" in Schedule RC-R, item 3.d.(2). These banks report their "Net risk-weighted assets" in item 3.d.(1) of this schedule, but the instructions for this item specifically tell banks to exclude market risk equivalent assets. The sum of the amounts reported in items 3.d.(1) and 3.d.(2) is the denominator of the bank's total risk-based capital ratio.

In the Board's FR Y-9C bank holding company report, bank holding companies that are subject to the market risk capital guidelines must also report their "market risk equivalent assets" and their "Net risk-weighted assets." However, in contrast to the Call Report instructions, the FR Y-9C instructions for reporting net risk-weighted assets direct bank holding companies to include market risk equivalent assets. This means that, for bank holding companies, the amount reported for net risk-weighted assets is the denominator of the holding company's total risk-based capital ratio.

In order to achieve greater consistency between the two reports, the Call Report instructions for reporting "Net risk-weighted assets" will be revised to include market risk equivalent assets. The caption for item 3.d.(2) of Schedule RC-R will be modified to read "Market risk equivalent assets included in net risk-weighted assets above." Because fewer than 20 banks are subject to the market risk capital guidelines, this change will not affect the remaining 9,800 banks that are not covered by these guidelines.

#### *Calculating the Allowable Amount of the Allowance for Credit Losses for a Bank With Low Level Recourse Transactions*

The instructions for reporting low level recourse transactions in Schedule RC-R—Regulatory Capital were revised in the first quarter of 1998 to give banks the option of using either the "gross-up method" or the "direct reduction method." However, when this revision was made, the instructions did not

clearly explain how banks choosing the "direct reduction method" should calculate the amount of the allowance for credit losses that can be included in Tier 2 capital. In order to provide the necessary guidance on this calculation, the instructions for Schedule RC-R will be revised. These instructions will indicate that, for purposes of determining the Tier 2 capital limit on the allowance for credit losses, a bank using the "direct reduction method" for reporting its low level recourse transactions should multiply its "maximum contractual dollar amount of recourse exposure" (as defined in the instructions) by 12.5 and include this product in its gross risk-weighted assets. This gross risk-weighted-assets figure multiplied by 1.25 percent would be the bank's Tier 2 limit on the allowance for credit losses. The limit on the allowance would be fixed at this amount and would not be changed after the bank calculates its institution-specific add-on factor for low level recourse under the "direct reduction method." Thus, a bank would measure its Tier 2 capital and its total risk-based capital prior to its application of the "direct reduction method" and would not recalculate these two amounts once the add-on factor was known.

#### **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:

Whether the proposed revisions to the Call Report collections of information are necessary for the proper performance of the agencies' functions including whether the information has practical utility;

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; Ways to enhance the quality, utility, and clarity of the information to be collected;

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

Estimates of capital or start up costs and costs of operation, maintenance,

and purchase of service to provide information.

Dated: September 23, 1998.

**Karen Solomon,**

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

Board of Governors of the Federal Reserve  
System, September 24, 1998.

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, D.C., this 25th day of  
September, 1998.

Federal Deposit Insurance Corporation.

**Robert E. Feldman,**

*Executive Secretary.*

[FR Doc. 98-26225 Filed 9-30-98; 8:45 am]

BILLING CODES 4810-33-M, 6210-01-M, 6714-01-M