

FEDERAL RESERVE BANK OF DALLAS



*The Federal Reserve Bank of Dallas
Answers the Most Commonly Asked Questions
About Regulatory Reports*

**3rd Edition
January 2006**

INTRODUCTION

This question-and-answer booklet was prepared by staff members of the Federal Reserve Banks of Cleveland and Dallas. The booklet addresses some of the more commonly raised issues and questions related to regulatory reports and is divided into the following four sections:

- Completion of Reports** (page 1)
- Submission of Reports** (page 3)
- FRB-Dallas Procedures** (page 4)
- Regulatory Reports Surveillance Program** (page 6)

In most cases, the answers provided are applicable throughout the Federal Reserve System; however, where procedures are detailed, they are specific to the Federal Reserve Bank of Dallas. Questions related to specific procedures for reports that your organization files in another Federal Reserve District should be directed to that District.

As a handy reference, we have inserted the processing schedule for the current year, which lists all regulatory reports processed by the Banking Supervision Department in the Eleventh District.

We hope that your organization finds **Q&A** beneficial and that it supplies useful clarifications to the reporting instructions. We encourage you to contact our staff with any additional questions.

To offer continued support, we will periodically publish updates to this booklet. Additionally, we will provide our respondents with newsletters to serve as feedback on how the processing cycle fared in the District for the quarter. These newsletters will include helpful tips.

COMMON TERMS

The following is a list of terms that are used interchangeably throughout this booklet.

BHCPR	Bank Holding Company Performance Report
Board of Governors	Federal Reserve System Board of Governors
Call Report	Consolidated Reports of Condition and Income
FASB	Financial Accounting Standards Board
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1989
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1991
FRB	Federal Reserve Bank
HMDA	Home Mortgage Disclosure Act
SEC	Securities and Exchange Commission
The Program	Regulatory Reports Surveillance Program
UBPR	Uniform Bank Performance Report

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COMPLETION OF REPORTS

This section addresses commonly asked questions related to the completion of regulatory reports.

How will I know what changes have been made to the report form and instructions from one period to the next?

Changes to the report form and/or instructions are summarized in the cover letter or an attachment to the cover letter that is included on our web site each report period. In addition, revisions to the report instructions are generally denoted by a black line in the margin adjacent to the changes.

What does “consolidation” mean and how does it apply to my financial statement?

The General Instructions for each report will specifically state rules for consolidation, if applicable. Generally, institutions should consolidate on a line-by-line basis any company in which they own more than 50 percent of the outstanding voting stock. As part of the consolidation process, the results of all transactions and all outstanding asset/debt relationships between consolidated subsidiaries should be eliminated.

How should rounding be handled?

Each report may handle rounding differently. For example, you may be instructed to derive the detail items from unrounded numbers and then round the total to ensure that the total balances to another item(s) on the report. Refer to the General Instructions to ascertain how rounding is handled for each report.

On the FR Y-9C and FR Y-9SP reports there is an item, “All changes in investments and activities have been reported to the Federal Reserve on the Bank Holding Company Report of Changes in Investments and Activities (FR Y-10).” What is collected on the FR Y-10 report?

The FR Y-10 collects data on changes in bank holding company structure, such as:

- Acquisitions, divestitures, transfers.
- Name, location, and/or primary activity changes.
- Updates to incorrectly reported information.

This report is filed by top-tier domestic bank and financial holding companies for all regulated entities in the company's corporate structure and should be filed within 30 calendar days of any changes.

How do I answer this question if I have no changes in investments or activities?

If your bank and/or financial holding company had no changes in investments and activities and, therefore, was not required to file an FR Y-10, enter ‘1’ in this line. Valid responses for this item are ‘1’ or ‘0’. A ‘1’ denotes that all changes have been filed or that there were no changes. A ‘0’ denotes that there have been changes,

but the FR Y-10 has not yet been filed. In all cases, the FR Y-10 contact name and phone number are required.

NOTE: Only top-tier holding companies are required to complete this item.

When should I complete the “Notes to the Financial Statements”?

The “Notes to the Financial Statements” are excellent means of explaining any transactions that have affected specific items within the report. For example, a large change in a report item from one period to another can be explained briefly, such as stock transactions or other adjustments to total equity. Disclosures made on shareholder and SEC reports or press releases can be included. Information provided within the “Notes to the Financial Statements” is available to the general PUBLIC. Therefore, if you wish this information to remain confidential, please feel free to send this information to your analyst via secure e-mail instead.

There are other places on my report where lines have been provided to enter descriptive information about components of items reported elsewhere on the report form (e.g., “Other Assets,” “Off-Balance Sheet Items”). Is this reporting optional?

No. This information is not optional. Explanations of amounts in excess of a percentage of the targeted line item are required. For example, “itemize and describe amounts that exceed 25% of item 28, on Schedule HC,” “Total equity capital.” If no item is in excess of 25% of the total reported for Total equity capital, a ‘0’ should be entered.

While completing my September report, I found that audit fees have always been incorrectly reported as a component of salaries on our Income Statement. Reclassification of this item will result in salaries expense decreasing from June to September. Should I reclassify the June report also?

Ideally, when a “material” error is discovered, we prefer that all periods in which it was reported incorrectly be revised. Generally we require that all reports submitted for the current year be revised; however, in some cases, we may need additional revisions. In the above example, because the error was discovered on the September report, we would require that revisions be made to the March and June reports filed for that year, **only if the amount is material.**

A Federal Reserve analyst just brought to my attention a line item that has been reported incorrectly for many report periods. Why was this error not detected earlier?

Since we are constantly updating our editing procedures for each regulatory report we collect, there are two possible explanations for this occurrence. First, we may be performing a new edit that identifies additional reporting errors. The purpose of new edits is to ensure

that the reports are as accurate as possible. Second, our edits often allow for a specific line item fluctuation from one period to the next. It is possible that this line item did not have a large enough fluctuation to capture our attention in prior periods.

How many prior periods will I have to revise?

The number of periods required to be revised depends upon the significance of the error and the period in which the error is detected. Generally, we strive to maintain accurate, consistent reports for the current and prior years and, therefore, may require revisions for these periods. At a minimum we would require amendments for the current year, if the amount is material.

I enclosed our bank's net unearned income in parentheses since it is subtracted out of total loans. Why did I receive a call from an FRB analyst asking me to remove the parentheses?

We realize reporting items in this way can be somewhat confusing. The reason you were asked to remove the parentheses was that this item is automatically subtracted from the loan total. Making that number a neg-

ative (enclosing it in parentheses) will result in an edit failure since our automated system will add that amount to the loan total.

What is the correct way to report an item like this?

A good way to determine when to include or exclude parentheses is to look for clues within the line item descriptions. In the case of unearned income, the line reads "Less: Any unearned income," meaning the reported amount will be automatically subtracted. Including a negative sign or parentheses will cause this amount to be added. Since there are some items that are always subtracted (e.g., Treasury stock, unearned income, and cash dividends), we have programmed these items to be automatically subtracted. When a line item is to be subtracted before arriving at a total, no parentheses are required. Items that need to be reported in parentheses, or as negatives, arise when an item can be reported as either a positive or negative value (e.g., tax liability [benefit] or net income [loss]). For further guidance, refer to the general and line item instructions.

SUBMISSION OF REPORTS

This section answers commonly asked questions regarding the submission of regulatory bank holding company reports.

When is my report due at the Federal Reserve?

Refer to the General Instructions for each report for exact submission deadlines. If the report instructions do not specify a submission date, please refer to the letter on the web site. Most reports require data be submitted within a specific number of calendar days following the report date (e.g., “45 calendar days after the report date”). Please carefully calculate the deadline for each report based on the number of calendar days following the report date.

If a report deadline falls on a weekend or holiday, your completed report is due by 5 p.m. the first business day after the **original** due date. For specific guidelines regarding the timely receipt of reports, refer to the Regulatory Reports Surveillance Program section of this booklet.

Where, and to whom, do I send my reports?

Reports that are acceptable in hard copy format should be mailed to the following address:

*Federal Reserve Bank of Dallas
Banking Supervision Department
Regulatory Reports Division
P.O. Box 655906
Dallas, TX 75265-5906*

Reports that are sent by an overnight delivery service must be addressed to:

*Federal Reserve Bank of Dallas
Banking Supervision Department
Regulatory Reports Division
2200 N. Pearl Street
Dallas, TX 75201-2272*

If I submit my reports earlier than the deadline, will they be subject to closer scrutiny?

No. All reports, no matter when they are received, are thoroughly scrutinized.

My report is due today, and I just completed it. Can I fax you a copy?

A facsimile transmission is not considered an official copy. A report will be recognized as having

been received upon the receipt of an “official copy.” An “official copy” of a report, as defined under the Program, is an original, signed copy of a report that is mailed, transmitted by electronic means, or hand delivered (by courier) to the appropriate Reserve Bank.

Can I send my reports through the mail, rather than electronically?

No. With the exception of only a couple of reports, it is mandatory to file regulatory reports with us electronically.

How do I sign up for electronic submission?

Contact the individual noted in the cover letter to each report. This person will forward the following information needed to file your report(s) electronically:

- An Electronic Submission Agreement
- Critical information you will need to enter into the report preparation software
- Electronic reporting procedures

The Electronic Submission Agreement should be read, signed, and returned prior to the transmission of your data.

What type of records do I need to maintain if I file my reports electronically?

A manually signed cover page bearing the appropriate signature and attestation should be attached to the printout of the report and maintained in your files. This information can be used to fulfill the signature and attestation requirements upon an examiner’s request.

I was asked to retransmit my report even though my first transmission was successful. Why is that?

As report items change, we must modify our computer interface and test new edits. If your transmission is received before this process is finalized, we will request that you retransmit your file. Normally this process is completed well before the report’s due date to minimize such inconveniences.

My report was already submitted, but I just found an error. What should I do?

Reports filed electronically can be retransmitted in the same manner. We should be notified of your plans to resend data prior to the transmission. We do not require a paper version of the revisions.

FRB-DALLAS PROCEDURES

This section answers questions regarding what the Federal Reserve Bank of Dallas does with your regulatory reports once they arrive in our Regulatory Reports Division.

Why do I have to complete these reports?

Regulatory reports are required by law, and they are vital in assessing the financial strength of companies in the Eleventh Federal Reserve District, as well as the nation. The Federal Reserve uses data collected on these reports to supervise and regulate financial institutions in order to promote financial stability. This information is also used in the decision-making process concerning acquisitions, nonbanking activities, membership, and bank branching. Therefore, report accuracy is imperative for a correct analysis of your institution's financial stability and condition.

What input do I have as far as what gets collected on my reports?

Your comments regarding items collected on regulatory reports are always welcome and can be submitted to us at any time. In addition, there are opportunities to comment on proposed changes to regulations and accounting standards that may affect regulatory reports.

Proposed changes are published for comment in the *Federal Register* and posted in the form of notices on the Dallas Fed web site, www.dallasfed.org under "District Notices." Proposed changes in accounting standards are published for comment by FASB.

What happens to my report once the Federal Reserve receives it?

When your report arrives, we log in the date and time of receipt. Hard-copy reports are entered into our database, while **reports submitted electronically are posted automatically**. Reports are edited using the types of edits described in the answer to the question that follows, "What is an edit?" An analyst will review the report for all edit exceptions. If necessary, you will be contacted to provide explanations and/or revisions. When revisions are received, data are re-edited to ensure that edit exceptions are reconciled. All data are then transmitted to the Board of Governors' staff within a specified time frame for each regulatory reporting series.

After this process, your report is available online to our staff of examiners for further regulatory review.

What is an edit?

Edits are automated mechanisms that are used to verify the accuracy, reasonability, and consistency of

the data reported over time. Edits are included in all vendors' software. Four types of edits are performed:

Validity edits compare items within a report to ensure that arithmetic and logical relationships are not violated. These edits identify errors that must be corrected. Validity edits are also used in the Program to capture false data items. See the Regulatory Reports Surveillance Program section of this booklet for more information.

Quality edits compare items within a report to detect possible inconsistencies and verify the overall reasonability of the data. If the data are in error, revisions will be requested. Otherwise, explanations for differences are required.

Intraserries edits compare an item from the current period to its value in a previous period to determine significant fluctuations over time. As is the case with quality edits, if the data are in error, revisions will be requested. Otherwise, explanations for differences are required.

Interseries edits compare data values for similar items completed on different reports to ensure reporting consistency. Variations in item definitions and reporting dates are considered in the editing process. Revisions to incorrectly filed reports or explanations for legitimate differences must be provided.

If my report has no errors, why do I still receive calls?

Our department's goal is to provide the Board of Governors' staff with accurate and timely financial data. To meet the first part of that goal, thorough analysis is performed on each report to detect possible misclassifications, line switches and other reporting errors. In an effort to verify data accuracy, we may contact you to provide explanations for unusual fluctuations or infrequent occurrences.

I frequently receive calls from an FRB analyst questioning two reports I have submitted. Why is this comparison done?

Comparisons are done to monitor consistency in reported data values of like items on different reports. These interseries edits are performed after all financial reports are received and analyzed.

FRB examiners have just completed an inspection of my bank holding company and I have been instructed to refile the FR Y-9C and FR Y-9LP reports for the previous year. Why were these required amendments not detected through the Federal Reserve's editing process when the reports were submitted initially?

The Federal Reserve's editing process is limited to the information reported. Examiners' on-site presence affords them the opportunity to review the actual transactions and discuss the bases behind the data reported.

Our editing process is performed within a mandat-

ed time frame. Staff of our Regulatory Reports Division operates under limited time constraints to process diverse regulatory reports each quarter within 10 to 20 days (depending on the report) after their due date before data are transmitted to the Board of Governors' staff. After financial data are transmitted to the Board of Governors' staff, various analyses and reports are prepared. For example, the UBPR is generated from transmitted Call Report data, and the BHCPR is generated from transmitted FR Y-9C and FR Y-9LP data.

Why are there so many changes to report forms and instructions?

There are several reasons that report forms and instructions change. The two major reasons, however, are revisions to regulations and new or revised financial accounting standards issued by FASB. Instructions are also revised in an effort to clarify items that have caused confusion. In addition, the Board of Governors' staff strives to ensure that bank holding company reports parallel domestic Call Reports where possible.

Why don't I receive more advance notice of changes to report forms and instructions?

Changes in report forms and instructions are usually a result of changes in regulations or accounting standards. Other modifications may occur as deemed necessary for monitoring purposes.

Once report changes have been proposed, a thorough review process occurs to ensure that all instructions are clear and the report forms are correct. This review process may cause a delay in placing report forms and instructions on our web site.

The Board of Governors' staff is aware that a delay in notification of report changes can result in increased burden to reporting institutions. Therefore, whenever possible, the majority of revisions to report forms and instructions occur during the first quarter of each year, with additional updates made as necessary throughout the remainder of the reporting year.

REGULATORY REPORTS SURVEILLANCE PROGRAM

This section details the purpose of the Program and how the Federal Reserve monitors false and late reports.

What is the purpose of the Federal Reserve's Regulatory Reports Surveillance Program?

The Program's objective is to maintain an ongoing monitoring system for recording the timeliness, completeness, and accuracy of regulatory and HMDA reports. In addition, the Program is designed to ensure that *chronic* late and/or false reporters are subject to appropriate supervisory action.

When is my report considered late?

Your report is considered late if it is not received in the required official format on or before the submission deadline.

How can I ensure my reports will be received on time?

Regardless of when your reports are received, the Federal Reserve considers complete reports timely in the following instances **where hard copy reports are acceptable**:

- Reports that are *mailed* first class and post-marked at least three calendar days preceding the original deadline. (A U.S. Postal Service "Certificate of Mailing" should be obtained to provide proof of timely submission.)
- Reports that are sent via *guaranteed overnight delivery* the day preceding the original submission deadline.

NOTE: Reports sent by an overnight delivery service should be addressed to:

*Federal Reserve Bank of Dallas
Banking Supervision Department
Regulatory Reports Division
2200 N. Pearl Street
Dallas, TX 75201-2272*

What is the definition of a false report?

An official copy of a report is considered "false" if the report:

- is missing a required schedule or page that causes a failure of one or more monitored validity edits, or
- contains an erroneous or missing data item that causes a validity edit failure.

False reporting only applies to initial data; however, validity edits found on amended reports should be corrected.

How can I ensure my reports will not be false?

You can take several steps to ensure the validity of your data:

- **Read all instructions and supporting material that accompany your report form.**
- Review the attachment of all changes to the report form and/or instructions since the previous reporting period.
- **After the report is complete, review it thoroughly for typographical error and line item switches.** It is often helpful to have another individual also review the report.
- **Compare your data with reports filed with us in prior quarters.** This will ensure all amendments in those reports were accurately brought forward.

For Call Reports and FR Y-9 reports, vendors offer software that includes monitored edits. Finally, do not delay in submitting your report. Report forms and instructions are generally on our web site soon after quarter-end, and we encourage you to begin report preparation immediately.

How will I know if the report I submitted was late and/or false?

LATE. Your report is late as defined under the Program if it does not meet the criteria outlined in the answer to the question, "How can I ensure my reports will be received on time?"

FALSE. If your report contains edit exceptions, you will be contacted for explanations or corrections. If an item caused a validity edit(s) to fail, you will receive an automated message indicating that the data are unacceptable. If failed edits penetrate the system, an analyst/examiner will contact you to indicate that data are in error, request a revision, and notify you that the error(s) is included in the Program.

Additionally, Banking Supervision staff will notify those institutions that have chronic occurrences of late and/or false regulatory report filings.

I received a call from the Federal Reserve about an error on my report. Does this mean my report is false?

No, not all errors fall under the Program. If the error is a validity edit, the analyst will communicate this to you, as well as request appropriate revisions.

I found a typographical error on my report after it was mailed and immediately contacted the Federal Reserve to make the appropriate revisions. Will my report be considered false?

Yes, if a typographical error was in the original submission of the report *and* if the initial submission contains an error that causes a validity edit failure. Again, reviewing all checklist items prior to submission of your reports will ensure that no validity edits occur.

The two points of distinction here are whether the error was made on an *initial submission* of the report and whether the error *caused a validity edit* per the report checklist.



**FEDERAL RESERVE BANK OF DALLAS
ELEVENTH DISTRICT**