



**Office of Thrift Supervision  
Financial Reporting Division (FRD)**

**December 2007**

<http://www.ots.treas.gov>

## **Financial Reporting Bulletin**

- **It is important that you read this bulletin and the attached materials before preparing and submitting your Thrift Financial Report.**
- **Please share this bulletin for review with all staff members who are involved in preparing and transmitting reports to the OTS.**

**December TFR Filing Deadline – Wednesday, January 30, 2008**

(Remember you must transmit TFR before any other quarterly or annual reports.)

**December COF Filing Deadline – Wednesday, January 30, 2008**

**December CMR Filing Deadline – Thursday, February 14, 2008**

**December HC Filing Deadline – Thursday, February 14, 2008**

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## **FOURTH QUARTER FILING DEADLINES**

You should complete and transmit your December 2007 TFR, *including Schedule CSS*, and COF as soon as possible after the close of the quarter:

Filing **deadline** for all schedules except HC and CMR is **Wednesday, January 30, 2008**.

Filing **deadline** for Schedules HC and CMR is **Thursday, February 14, 2008**.

*Institutions that are exempt from filing Schedule CMR but choose to voluntarily file must adhere to the filing deadlines above.* The Interest Rate Risk reports will not be available for download by institutions that fail to meet the filing deadline. All voluntary CMR filers should contact Doris Jackson at [doris.jackson@ots.treas.gov](mailto:doris.jackson@ots.treas.gov), or 972.277.9618 after transmitting CMR for confirmation of receipt.

If you have questions concerning the preparation of your report, please call your Financial Reporting Division analyst in Dallas, Texas. A contact listing is provided near the end of this bulletin. You may e-mail reporting questions to [tfr.instructions@ots.treas.gov](mailto:tfr.instructions@ots.treas.gov). If you need assistance with Electronic Filing System (EFS) including Quick Importer, or Financial Reports Subscriber (FRS), software or transmission, contact the EFS Helpline Message Center by e-mail at [efs-info@ots.treas.gov](mailto:efs-info@ots.treas.gov) or by phone toll free at 866.314.1744. If you have questions about your Interest Rate Risk report, you may contact Scott Ciardi at [scott.ciardi@ots.treas.gov](mailto:scott.ciardi@ots.treas.gov), or call 202.906.6960.

### **\*\*\*\* EFS VERSION 6.3 SOFTWARE CD MAILED \*\*\*\***

The new EFS Version 6.3 CD was mailed via regular postal mail on December 20, 2007, to all report preparers of record. If you do not receive the CD by Tuesday, January 16, 2008, you should contact Doris Jackson at [doris.jackson@ots.treas.gov](mailto:doris.jackson@ots.treas.gov), or 972.277.9618.

Also, be sure you have signed up in EFS Net under My EFS Notification Recipients to receive e-mail notification when a new software update is available for download, or other important information is placed on EFS Net. If you do not sign up for e-mail notification, you should go to EFS Net frequently to check for any software updates or news about preparing your reports.

For any software issues you encounter, you should run the OTS Diagnostics from Start, Programs, Office of Thrift Supervision, OTS Diagnostics. If the Diagnostics tool does not identify and offer solutions for your problem, contact the EFS Helpline at [efs-info@ots.treas.gov](mailto:efs-info@ots.treas.gov) or by phone toll free at 866.314.1744.

## **WHAT'S NEW IN EFS VERSION 6.3**

### **Edit Step Changes**

Some of the new line items in the March 2007 report did not have edit validation because the data were too new to have parameters assigned. After analyzing several quarters of reported information for these lines, we have established validation guidelines and created new edits based on those guidelines.

In our quarterly edit review, we also found some typographical and minor logical errors in other edit steps. These have been corrected with this release.

**Revised Edits**

I714 I723 I737 Q101 Q532

**New Edits**

K711 Q110 Q111 Q112

**Schedule CSS**

For those thrifts that report subsidiary information on Schedule CSS, this release contains a shell with the Tax ID Numbers of all subsidiaries you reported in December 2006. If you acquired a thrift during the year, your Schedule CSS shell will also contain any subsidiaries that the thrift reported for December 2006. Please review this information carefully to ensure you are reporting information for all subsidiaries you own.

**NEGATIVITY ERRORS**

FRD frequently receives TFR filings with edit B090 failures. This generally results from the institution attempting to reflect audit adjustments.

Only the following SC fields may be negative:

- SC692 Detail of other assets amount
- SC694 Detail of other assets amount
- SC698 Detail of other assets amount
- SC715 Unamortized yield adjustments on deposits and escrows
- SC792 Detail of other liabilities amount
- SC795 Detail of other liabilities amount
- SC798 Detail of other liabilities amount
- SC86 Accumulated Other Comprehensive Income
- SC860 Unrealized gains (losses) on available-for-sale securities
- SC865 Gains (losses) on cash flow hedges
- SC880 Retained earnings
- SC891 Other components of equity capital
- SC80 Total equity capital

The OTS TFR Instruction Manual, General Instructions section, Amending the TFR, states:

*"You may correct material errors in prior-period TFRs in one of the following ways depending on the time period being corrected:*

1. *If you can file an amendment within 135 days of the end of the quarter being corrected, transmit the amendment correcting the TFR in which the error occurred after you discuss it with your FRD analyst in Dallas. (See Amending Prior-Cycle Data below.)*
2. *If the correction is to an income statement in a quarter that can no longer be amended and is within the current calendar year, include the correction with the current TFR in the same data field that would have carried it in the original report. If the adjustment distorts yields or results in negative numbers in fields that do not permit negatives, you may include the amendment in Other Noninterest Income, SO488, or Other Noninterest Expense, SO580.*

3. *If the correction is to an income statement for a quarter from a prior calendar year that can no longer be amended, make the adjustment directly to retained earnings on SI668, Prior Period Adjustments."*

We also address this issue in the TFR Instructions introduction section of Schedule SO-Consolidated Statement of Operations:

*"When you correct errors made in prior periods within the current calendar year, you should report them in the same data field in which you would have reported them on the original report. However, you should not report them in the same data field if the adjustment distorts yields for the quarter or results in negative numbers in fields that do not permit negatives. Where the latter would occur, you may include the adjustments in Other Noninterest Income, SO488, or Other Noninterest Expense, SO580. Generally, you may file amendments only within 45 days of the report date. For further information on correcting prior period errors, see Item 5 in the General Instructions."*

## **FDIC WEBSITE UPDATES**

Per the FDIC, updates are made to the Industry Analysis portion of their website (<http://www.fdic.gov/>) on the third Friday after the close of the quarter and weekly thereafter. This update is based on individual OTS TFR data as of the previous Tuesday night. The FDIC will post December 2007 data to their website for the first time on Friday, January 18, 2008. The last update of the FDIC website for the December 2007 cycle will be approximately 60 days after the close of the quarter.

## **AMENDING PRIOR-CYCLE DATA**

**Before** you transmit any prior-period amendments to TFR, CMR, or HC reports, be sure to discuss them with your Financial Reporting Analyst, who may have further instructions for you to follow. All amendments must be filed electronically and should include a detailed EFS Message to OTS explaining the reason for the amendment.

Although the instructions allow for 135 days after the cycle close for prior-cycle amendments, FRD analysts may need several days to analyze and process your data. Therefore, we encourage you to file any September amendments no later than close of business, Friday, February 8, 2008.

## **DECEMBER 2007 TFR INSTRUCTION MANUAL UPDATES**

### **Schedule CCR - Consolidated Capital Requirements**

Edits to the instructions appear on page 1628. Please refer to the revised instruction pages included with this Bulletin for details.

The title of the first example was changed to "**Interest Rate Contract Example:**".

The next example on that page, "Interest Rate Contract Example:", was replaced with:

**Foreign Exchange Rate Example:**

Your thrift has a foreign currency exchange rate contract where the thrift will deliver €1 million (Euros) and receive \$1.8 million (US Dollars) in 90 days. The exchange rate was 0.90 (US Dollars/Euros) and it is now 0.95. No matter which side of the contract your thrift has taken, it should always be measured in dollars for capital purposes. The market loss of \$100,000 is reported on SC796. As there is a market loss, the current credit portion is \$0. The potential credit portion is \$18,000 because the term is less than one year. You would report \$18 on CCR480 as the counterparty is a broker (non-bank).

*Do not include in risk-based assets:*

- ( 1 ) A foreign exchange rate contract with an original maturity of 14 calendar days or less; and
- ( 2 ) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

See 12 CFR 567.6 for more information.

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# Questions & Answers

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*TFR Questions and Answers are posted on the OTS website at <http://www.ots.treas.gov> (click TFR). If you have a question you would like posted, please e-mail it to [tfr.instructions@ots.treas.gov](mailto:tfr.instructions@ots.treas.gov).*

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## Q&A No. 258

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**SUBJECT:** Fair Value Option Accounting

**LINE(S):** SO485, SI375, SI376, SI377

**DATE:** April 16, 2007

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**Question:**

*We hold various assets and liabilities that are accounted for at fair value with the changes in fair value reflected in current earnings, as required or permitted (under a fair value option) by GAAP. These assets and liabilities, and the related income and expense, are as follows:*

Asset or Liability	FASB Statement	Balance Asset (Liability)	Income (Expense)	
			Change In Fair Value	Interest & Other
Trading securities (1)	No. 115	\$100,000	\$(1,200)	\$ 900
Derivatives	No. 133	<u>60,000</u>	500	-
Financial assets carried at fair value		<u>\$160,000</u>		
FHLB advances (2)	No. 159	(80,000)	600	(1,000)
Derivatives	No. 133	(10,000)	(100)	-
Financial liabilities carried at fair value		\$ (90,000)		
Net loss on financial assets and liabilities carried at fair value			<u>\$ (200)</u>	
Available-for-sale securities	No. 115	\$ 50,000	\$ (700)	200
Servicing assets (2)	No. 156	40,000	300	500

(1) Includes \$30,000 of securities held for trading purposes; that is, securities for which it is management's intent to actively buy and sell to generate profits in the short term.

(2) Fair value option elected.

***How do we report these assets and liabilities and the related income and expense in the TFR?***

**Answer:**

For balance sheet purposes, report the assets and liabilities in the appropriate lines on Schedule SC along with other assets and liabilities not carried at fair value. For example, report the FHLB advances of \$80,000 on line SC720, along with any other FHLB advances that you do not carry at fair value.

In addition, report certain amounts on Schedule SI. Report the balance of financial assets carried at fair value of \$160,000 on line SI376, and report the balance of financial liabilities carried at fair value of \$90,000 on Schedule SI377. Also, report the balance of securities held for trading purposes of \$30,000 on line SI375.

Available-for-sale securities are financial assets carried at fair value. However for available-for-sale securities, the changes in fair value are not reflected in current earnings, but rather in other comprehensive income. Accordingly, do not include the balance of available-for-sale securities of \$50,000 on line SI376. Rather, report the balance on line SI385.

As you have elected a fair value option for servicing assets of \$40,000, they are assets carried at fair value with the changes in fair value reflected in current earnings. However, servicing assets are not financial assets. Accordingly, do not include servicing assets on Schedule SI lines SI376 and SI377. Rather report the fees, and fair value adjustments on the servicing assets of \$800 (\$300 + \$500) separately on lines SO410 and SO411, as appropriate.

Similarly available-for-sale securities are not reported on Schedule SI as financial assets carried at fair value. Do not include the loss on available-for-sale securities of \$700 on line SO485. Rather, include the loss on available-for-sale securities of \$700 on line SI662.

For income statement purposes, report interest income (excluding interest on nonaccrual assets), interest expense, and other income and expense amounts in the appropriate lines on Schedule SO. For example, report the interest expense on FHLB advances of \$1,000 on Schedule SO line SO230, along with the interest expense on any other FHLB advances that you do not carry at fair value.

In addition, report the net loss in fair value on financial assets and liabilities of \$200 on Schedule SO line SO485.

At the effective date or early adoption date of SFAS 159, report the difference between the carrying value of items for which fair value option was elected and their fair value as a cumulative-effect adjustment to the opening balance of retained earnings on Schedule SI line SI668, Prior Period Adjustments.

## **FINANCIAL REPORTING DIVISION (FRD) CONTACT LIST**

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972.277.XXXX

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### **GENERAL QUESTIONS AND SOFTWARE DISTRIBUTION**

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The Financial Reporting Division uses voice-mail extensively. If you reach the voice-mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

### **TFR REPORTING QUESTIONS AND ANSWERS**

The Financial Reporting Division posts TFR Questions and Answers on the OTS website at <http://www.ots.treas.gov/> (click TFR). If you have a question that you would like answered, you may submit it to [tfr.instructions@ots.treas.gov](mailto:tfr.instructions@ots.treas.gov). Be sure to include your docket number in your Subject line. For security reasons, **FRD staff does not respond to e-mails with blank or illogical Subject lines.**

### **EFS HELPLINE MESSAGE CENTER**

For assistance with Electronic Filing System (EFS)-related issues, contact the EFS Software Helpline at [efs-info@ots.treas.gov](mailto:efs-info@ots.treas.gov) or call the toll-free 24-Hour Message Center: 866.314.1744. NOTE: For security purposes, please always include your 5-digit docket number in your e-mail Subject line or your voice-mail message, and provide your name and phone number. **FRD staff does not respond to e-mails with blank or illogical Subject lines.**

### **INTEREST-RATE RISK REPORTS**

Questions about your Interest Rate Risk Report may be directed to Scott Ciardi at [scott.ciardi@ots.treas.gov](mailto:scott.ciardi@ots.treas.gov), or 202.906.6960.

**COPIES OF TFR MANUAL** The OTS provides one copy of the TFR Instruction Manual and Financial Reporting Bulletins free of charge to the report preparer(s) of each OTS-regulated institution. You can also access the manual and bulletins on the OTS website at <http://www.ots.treas.gov/> (click TFR).

## **PREFERRED AND MINIMUM REQUIREMENTS FOR ELECTRONIC FILING OF REGULATORY REPORTS**

### **Preferred Requirements:**

#### **Application**

- IBM-compatible PC - Pentium 566+ processor
- Windows NT4.0 Workstation, Windows 2000, XP, Me
- 256 Meg of installed RAM memory
- 200+ Meg of available hard drive memory
- SVGA enhanced color monitor 1024x768, 256 colors or 24 bit true colors
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

#### **Communications - EFS-NET**

- DSL, Internet Cable, or T1-T3 Direct Line with online Internet access
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

***PLEASE NOTE*** The OTS has tested the Electronic Filing System on the new Microsoft Vista operating system, and at this time issues exist which prevent EFS from being fully functional on it. The OTS is working on the issue but at this time cannot support EFS and Financial Reports Subscriber (FRS) on Microsoft Vista workstations. The OTS advises anyone considering upgrading a machine hosting either the EFS and/or FRS software to Vista or installing either the EFS and/or FRS software on a new Vista machine to postpone this action until further notice.

### **Minimum Requirements:**

#### **Application**

- IBM-compatible PC - Pentium 200+ processor
- 128 Meg of installed RAM memory
- 150 Meg of available hard drive memory
- VGA or SVGA color monitor - 640x480, 256 colors screen
- CD-Rom drive
- HP LaserJet or Ink Jet-compatible printer

#### **Communications - EFS-NET**

- 56K bps modem and active account with an Internet Access Service Provider
- Internet Explorer 6.x or greater (for EFS-NET certificate compatibility)

For quick reference to this page at any time, save this link in your Favorites:

[<https://xnet.ots.treas.gov/efsnet/bulletins/efs\\_6x\\_requirements.pdf>](https://xnet.ots.treas.gov/efsnet/bulletins/efs_6x_requirements.pdf)

## Office of Thrift Supervision Filing Schedule for 2007 Regulatory Reports

You can and should complete and transmit your reports as soon as possible after the close of the quarter.

***Please ensure that all reports are filed before the filing deadlines shown below.***

Reporting "As Of" Date	FILING DEADLINE			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	Branch Office Survey

January 31			Friday March 2	
February 28			Friday March 30	
March 31	Monday April 30	Tuesday May 15	Monday April 30	
April 30			Wednesday May 30	
May 31			Monday July 2	
June 30	Monday July 30	Tuesday August 14	Monday July 30	Monday August 27
July 31			Thursday August 30	
August 31			Monday October 1	
September 30	Tuesday October 30	Wednesday November 14	Tuesday October 30	
October 31			Friday November 30	
November 30			Monday December 31	
December 31	Wednesday January 30, 2008	Thursday February 14, 2008	Wednesday January 30, 2008	

## Office of Thrift Supervision Filing Schedule for 2008 Regulatory Reports

You can and should complete and transmit your reports as soon as possible after the close of the quarter.

***Please ensure that all reports are filed before the filing deadlines shown below.***

Reporting "As Of" Date	FILING DEADLINE			
	Thrift Financial Report	Schedule CMR and HC	Cost of Funds	Branch Office Survey

January 31			Monday March 3	
February 29			Monday March 31	
March 31	Wednesday April 30	Thursday May 15	Wednesday April 30	
April 30			Friday May 30	
May 31			Monday June 30	
June 30	Wednesday July 30	Thursday August 14	Wednesday July 30	Monday August 25
July 31			Tuesday September 2	
August 31			Tuesday September 30	
September 30	Thursday October 30	Friday November 14	Thursday October 30	
October 31			Monday December 1	
November 30			Tuesday December 30	
December 31	Friday January 30, 2009	Tuesday February 17, 2009	Friday January 30, 2009	

## **THRIFT FINANCIAL REPORT INSTRUCTION MANUAL**

### **DECEMBER 2007**

Insert these revised pages into your Thrift Financial Report Instruction Manual. Delete **only** the pages that have a replacement. Refer to the summary of these changes in the December 2007 Financial Reporting Bulletin.

Direct questions to your Financial Reporting Analyst in Dallas, Texas, or e-mail [tfr.instructions@ots.treas.gov](mailto:tfr.instructions@ots.treas.gov)

§ 208, as implemented, to transfers on or after March 22, 1995. See § 208 of the Riegle Act and 12 CFR § 567.6(a)(2)(i)(C).

3. Forward agreements and other contingent obligations with a specified draw down are legally binding agreements to purchase assets at a specified future date. You should convert the principal amount of the assets you will purchase on the date you enter into the agreement.
4. Securities of customers where you lend such securities to others as agent and you indemnify the customer against loss.

**Example:**

You have a \$1 million off-balance-sheet, legally binding commitment to purchase and the institution has the intent to take delivery of (e.g., a regular-way trade, which is not accounted for as a derivative under SFAS Statement No. 133) FannieMae or FreddieMac MBS. Forward agreements to purchase assets at a specified date have a conversion factor of 100 percent. You convert the \$1 million off-balance-sheet item into a \$1 million on-balance-sheet equivalent, and you place it in the 20 percent risk-weight category on CCR450.

## **Interest-rate and Exchange-rate Contracts, and Certain Derivative Contracts**

### **Credit Equivalent Amount**

This calculation translates interest-rate and exchange-rate contracts into an on-balance-sheet credit equivalent amount. The credit equivalent amount of interest-rate and exchange-rate contracts is the sum of: (1) current credit exposure, and (2) potential credit exposure.

The credit equivalent amount, consisting of the current exposure plus the potential credit exposure, is assigned to the appropriate risk-weight category and reported on one of the following lines:

20% Risk weight	
CCR435	Claims on FHLBs
CCR445	Claims on Domestic Depository Institutions
CCR450	Other (where the counter party is a Federal Reserve Bank)
50% Risk weight	
CCR480	Other – where the counter party is other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank

#### **1. Current Credit Exposure**

Current credit exposure is the replacement cost of the contract, measured in U.S. dollars, regardless of the currency specified in the contract.

**Replacement cost** is the loss that you would incur if a counterparty defaults. You measure replacement cost as the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is zero. The replacement cost calculation incorporates changes in both interest rates and counterparty credit quality.

#### **2. Potential Credit Exposure**

**Potential credit exposure** means the estimated potential increase in credit exposure over the remaining life of the contract. You calculate it as follows:

##### **Interest-rate Contracts**

Multiply the notional principal amount of the contract by either:

1. Zero percent, if the contract has a remaining maturity of one year or less.

2. One-half of one percent if the contract has a remaining maturity greater than one year.

**Exchange-rate Contracts**

Multiply the notional principal amount of the contract by either:

1. One percent if the contract has a remaining maturity of one year or less.
2. Five percent if the contract has a remaining maturity greater than one year.

**Interest Rate Contract Example:**

You have a \$10 million notional amount interest rate swap agreement. You report the positive fair value of this derivative instrument of \$80 thousand as an asset under FASB Statement No. 133, and include it in line SC689, Other Assets. However, you do **not** include this \$80 thousand on-balance-sheet amount in assets to risk weight. Instead, you include in assets to risk weight the credit equivalent amount of this interest rate exchange agreement, which you have calculated to be \$130 thousand. You computed the \$130 thousand by adding the current credit exposure of \$80 thousand (equal to the replacement cost of the contract) to the potential credit exposure of \$50 thousand (equal to the \$10 million notional amount times 0.5%, for this contract with a remaining maturity of 2 years). You include the \$130 thousand in assets to risk weight, in the 20 percent risk-weight category on CCR435, because the counterparty is a Federal Home Loan Bank.

**Foreign Exchange Rate Example:**

Your thrift has a foreign currency exchange rate contract where the thrift will deliver €1 million (Euros) and receive \$1.8 million (US Dollars) in 90 days. The exchange rate was 0.90 (US Dollars/Euros) and it is now 0.95. No matter which side of the contract your thrift has taken, it should always be measured in dollars for capital purposes. The market loss of \$100,000 is reported on SC796. As there is a market loss, the current credit portion is \$0. The potential credit portion is \$18,000 because the term is less than one year. You would report \$18 on CCR480 as the counterparty is a broker (non-bank).

*Do not include in risk-based assets:*

- (1) A foreign exchange rate contract with an original maturity of 14 calendar days or less; and
- (2) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

See 12 CFR 567.6 for more information.