modifications that the agencies believe are appropriate are made, the proposed Call Report schedules would also be amended to reflect those changes. At that time, the Call Report schedules would be submitted to FFIEC's Reports Task Force for inclusion in the comment document for March 1996 Call Report changes. The FFIEC will submit any Call Report changes to OMB for review as required under the Paperwork Reduction Act 44 U.S.C. 3501. Opportunity for public comment is always provided in relation to such a submission. Nevertheless, the agencies invite comments regarding the paperwork implications of this proposed policy statement, and will carefully consider any comments received in the development of the policy, as well as in recommending to the FFIEC proposed revisions to the Call Report.

VI. Implementation Schedule

The agencies propose to require any additional reporting by non-exempt banks beginning with the March 1996 Call Reports. Full implementation of this policy statement for assessing the adequacy of bank capital would be effective December 31, 1996.

VII. Requests for Comments

Comments are requested on all aspects of the proposed policy statement, including the suggested implementation schedule. The agencies particularly request comments on the following issues:

1. Exemption for Small Banks

The agencies propose to exempt certain small banks from the proposed policy statement and associated reporting requirements in order to lessen regulatory burdens on small, well-managed banks. The criteria for exemption considers the size of the bank, its overall CAMEL rating and the proportion of assets in intermediate and longer-term maturities.

a. Are the three criteria used for the exemption appropriate and reasonable?

b. Does the use of a bank's confidential CAMEL rating as one of the exemption criteria raise concerns that it may allow public users of Call Reports to discern a bank's CAMEL rating?

c. Does the proposed exemption criteria provide adequate safeguards against exempting banks that pose significant risks to the deposit insurance fund due to IRR?

2. Baseline Supervisory Model

The agencies are proposing that all non-exempted banks provide information for a baseline supervisory model, the results of which, would be one factor that an examiner would use to assess a bank's level of IRR exposure and its need for capital. The baseline model uses seven time bands and applies a series of risk-weights to a bank's reported repricing and maturities balances in each of those time bands. For certain types of instruments or activities, a bank would be required to provide their own estimate of the change in value (self-report) of the instruments or activities for the specified interest rate scenario.

a. Does the proposed baseline supervisory model provide a reasonable basis for measuring a bank's IRR exposure? If not, what changes should be made to the model?

b. Are the amount and type of data proposed to be collected for the model appropriate and reasonable? If not, what changes could be made either to improve the usefulness of the data collected and/or reduce the burden of the proposal?

c. Do banks have the ability to calculate or obtain reasonable estimates of changes in market values for the items where self-reporting would be required? If not, how should such items be incorporated into the model? What factors should examiners consider in reviewing and assessing the reliability of bank's self-reported estimates?

d. Are the risk-weights proposed for the baseline model appropriate for an immediate and parallel 200 basis change in interest rates?

e. What portion, if any, of the proposed Call Report interest rate risk data and output from the proposed supervisory measurement system should be made available to the public through Call Report disclosures and the Uniform Bank Performance Report?

3. Treatment of Non-Maturity Deposits

The agencies propose limits on how a bank could distribute deposits without specified maturities (DDA, NOW, MMDA and savings) among the time bands for the supervisory model. In setting these limits, the agencies propose to treat commercial DDA balances separately from other DDA balances. As proposed, these limits only apply to the standardized supervisory model. The proposal would give an examiner the latitude to use a bank's own non-maturity deposit assumptions when evaluating the bank's capital adequacy for IRR provided that the bank can demonstrate and support those assumptions.

a. Is it appropriate to treat commercial DDA balances separately from other DDA balances?

b. Are the proposed maturity limits reasonable for a standardized reporting and measurement framework?

c. Is it appropriate to give examiners latitude to use a bank's own non-maturity deposit assumptions? If so, should the agencies specify minimum standards of analysis that will be acceptable for banks that wish to use their own assumptions? What types of analyses or factors should be incorporated into such standards?

4. Supplemental Modules for Mortgage Holdings

The agencies have proposed supplemental reporting and expanded risk-weight tables that would apply to banks that have concentrations in either fixed- or adjustable-rate residential mortgage products. These supplemental modules are designed to improve the supervisory model's accuracy by incorporating more fully, the parameters which may affect a mortgage's price sensitivity. The agencies propose to derive the risk-weights for the supplemental modules from pricing tables generated by the OTS's Net Portfolio Value Model (OTS model).

a. Is the information that would be collected for the supplemental modules appropriate and meaningful? If not, what changes should be made?

b. Are the thresholds proposed for requiring a bank to use the supplemental modules appropriate? If not, what threshold would be appropriate?

c. Do the supplemental modules and risk-weights sufficiently address concerns about the supervisory model's accuracy for banks with significant holdings of residential mortgage products? Will their use lessen the possibility of different regulatory treatment for institutions subject to the OTS model and those subject to this policy statement?

d. Will the use of the supplemental modules and the associated risk-weights used in those modules provide appropriate incentives for bank decision-making? Will their use discourage the development of a bank's own measurement capabilities?

e. Is the OTS model a reasonable source for developing the risk-weights used in this module? If not, are there other sources that would be more better?

f. The agencies believe the supplemental schedules related to mortgages are necessary because the price sensitivity of these products may vary substantially depending upon their coupon and cap characteristics. Are the proposed supplemental schedules appropriate and is the level of precision sought by the agencies reasonable?