
BUSINESS REVIEW

SEPTEMBER 1974

FEDERAL RESERVE
BANK OF
SAN FRANCISCO

Summary Description of Information System for Banking Agency Reports

The Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have long been concerned about the problems and burdens of bank reporting. The three agencies, both separately and jointly, have instituted a variety of programs directed toward these problems. As one part of these programs, the agencies have been engaged for several years in a joint project—the Bank Report Reform Project—to develop and implement a more systematic approach to their procedures for requesting information from banks, for defining what is wanted in the various reports, and for collecting the information. The operating materials and procedures developed in this project have been given the name “Information System for Banking Agency Reports” (ISBAR).

The project was set in motion by an *ad hoc* group of commercial banks—the Steering Committee on Banking Information—and it has progressed in close cooperation with this group. The general approach and main characteristics of the project were developed within this Steering Committee.

The ISBAR procedures are completely voluntary and optional for reporting banks. These procedures will be made available by each of the three agencies for any bank to use if it so wishes. Each bank will decide for itself whether to use the ISBAR procedures or to continue with present procedures. Similarly, the approach does not presuppose or require

any particular design for banks’ internal accounting or recordkeeping systems. Moreover, the system does not add to reporting burdens since it remains within the confines of existing reporting requirements.

A preliminary version of ISBAR has been prepared for banking industry comment. This pamphlet, which is being mailed to all commercial banks, contains a summary of the approach and its major characteristics. A more complete description of all aspects of the system and copies of its operating materials are presented in another set of documents bearing the general title *Information System for Banking Agency Reports*. These documents will be available from the agencies on request in a few weeks.

Members of the banking community and others who are interested are invited to review the approach and its procedures and materials and to communicate general comments or specific suggestions to any of the agencies. Comments received by February 1975 will be taken into account in the preparation of an operational version of the material, which is scheduled for release in the second half of 1975. At that time the three agencies will make the ISBAR procedures operationally available to interested banks.

The summary discussion in this pamphlet focuses on the following questions that reflect the system’s major characteristics:

- (1) What is ISBAR, how will it be used in report

procedures, and what types of banks can use it to advantage?

- (2) What role have commercial banks had in the design and development of the system?
- (3) Will the use of the system be compulsory for banks?
- (4) Does ISBAR involve any changes in the substance of information that banks report?
- (5) Does the use of ISBAR put any particular requirements or restrictions on banks' internal recordkeeping procedures?
- (6) What reports are covered in the system?
- (7) How will future changes in reporting requirements be handled in the system?
- (8) Will the ISBAR approach be extended to other types of reports?
- (9) How does ISBAR fit into the general efforts of the banking agencies to deal with problems of reporting burden?
- (10) What additional materials on the system are available and how can they be obtained?

(1) What is ISBAR, how will it be used in report procedures, and what types of banks can use it to advantage?

ISBAR consists of a set of materials and procedures that provide, as an alternative to present procedures, a systematic basis for: (a) banking agency requests for information from commercial banks; (b) the definition of the information requested; (c) bank generation of this information; and (d) bank reporting of the information to the agencies.

In the ISBAR approach, each line of information requested in agency reports that deal with balance sheet and related items is completely defined in terms of an appropriate combination of the elements of a standard classification structure. This single, comprehensive structure embraces the definitional needs of all the reports covered in the system. The system's main operating documents are the classification structure, a Dictionary defining each element of that structure, and a set of report Instructions that specify the information requested in the reports in terms of the elements of the classification structure.

For banks, ISBAR will have four separate

uses: (a) in their determination of the definition of agency information requests; (b) in connection with their generation of information for agency reports on a coded or automated basis; (c) as an input to their design of record-keeping and information systems; and (d) in connection with the physical form of reporting to the agencies.

(a) The fundamental use of the system by banks will be definitional. The operating documents provide each bank with the basis for systematically determining the complete specification of all agency requests for information that are covered by the ISBAR structure. Similarly, a basis is provided for a systematic comparison of what is wanted on different reports requesting somewhat similar information.

For such definitional purposes any bank—regardless of size, accounting procedures, or extent of automation or coding of accounts—may find that it can use the system to advantage. This definitional use is independent of the bank's accounting methods or internal procedures. There is no requirement, or even presumption, that a bank has coded its accounts or automated any of its procedures, nor is there any implication that it ever intends to do so. While the Instructions for each report line are stated in terms of code numbers, these codes—insofar as definitional use is concerned—are internal to the ISBAR documents. They serve simply to guide the user from the coded Instructions for the line to the elements of the classification structure and to the Dictionary defining these elements. Once the definition of a line is determined in this way, the ISBAR codes have no further significance for a bank using the system for definitional purposes only.

(b) While the ISBAR operating documents may be used solely for definitional purposes, they may also be used in connection with bank generation of agency reports on a coded or automated basis. The ISBAR classification structure provides the substantive basis of bank coding of accounts that would be appropriate for the agency reports. The ISBAR coded report Instructions state agency requests for information in terms of the elements of the classification structure. With appropriate identification and adaptation of its own classifica-

tion system to the ISBAR structure, a bank could—if it so chose—use the ISBAR coded Instructions as the basis for compiling some or all of the data needed for agency reports by retrieval procedures that would be stated in terms of the classifications used in its own records.

A bank that has already coded or automated some of its accounts or files for internal purposes may, therefore, have some interest in examining the details of the ISBAR materials to determine the feasibility of using ISBAR to facilitate the coded or automated generation of some of the information needed for agency reports. Such an examination would be a necessary part of the bank's determination of the reports for which it might be worthwhile to link, and adapt as appropriate, its present procedures to the ISBAR materials.

(c) Another potential use of the ISBAR materials is as an input to systems planning for banks that are designing new or revised information systems or automated recordkeeping systems. Such a bank may be interested in a detailed examination of the ISBAR materials if it has any thought of incorporating agency-report-generation features into its new systems or if it has any concern about the relationship between reporting requirements and its systems design.

(d) ISBAR also provides banks with alternative procedures with respect to the physical form of reporting information to the three banking agencies. Banks are given two types of options in this regard. In the first, the data being reported may be identified either by ISBAR codes or by existing procedures. In the second, each bank will have the choice of transmitting the data either by use of the present report forms or by means of computer printouts or punched cards in standard formats to be set by the agencies. Any bank that can put its report returns on computer file may find it convenient to transmit reports by the new alternative methods—even if it does not use other ISBAR procedures and materials.

Eventually, consideration may be given to extending the options in this area to include transmission of the data by magnetic tape or terminals. A few Federal Reserve Banks may

be interested in pursuing such transmission methods on an experimental basis with a limited number of banks.

(2) What role have commercial banks had in the design and development of the system?

Commercial banks have played a major role in the design and development of ISBAR. The project originated when the group of banks making up the *ad hoc* Steering Committee on Banking Information suggested to the banking agencies that the banks and the agencies work together to develop an approach to reporting that would permit banks to deal with reporting requirements in a more effective manner. Under the chairmanship of M. H. Schwartz, then a vice president of the First National City Bank of New York and now Director of the Division of Management Information and Telecommunications Systems of the Atomic Energy Commission, and later Robert K. Wilmouth, Executive Vice President of the First National Bank of Chicago, the Steering Committee set the general direction of the project and established the major scope and characteristics of the approach. The members of the Steering Committee stressed to the agencies that banks had a pressing need in the area of reporting and that the project was directed toward that need. The Committee persuaded the agencies to establish the project and to implement the resulting system as an operating alternative for banks.

Throughout the project, the Steering Committee continued to give general guidance to the project staff. In addition, consultations with operating personnel at each of the Steering Committee banks during various stages in the work contributed to significant improvements in the project results.

Commercial bank participation will continue during the present review period. Comments by individual banks on this preliminary version will be taken into account in preparing the operational version to be issued in 1975.

As a supplement to the reviews by individual banks, The American Bankers Association (ABA) and the Bank Administration Institute (BAI) have established a joint steering com-

mittee to provide a focal point for industry reaction to the ISBAR approach. The members of the committee are Virgil Dissmeyer, Senior Vice President and Cashier of the Northwestern National Bank of Minneapolis; Graham P. Dozier, III, Comptroller of Wachovia Bank and Trust Company, N.A., of Winston-Salem; Gail M. Melick, Executive Vice President of Continental Illinois National Bank and Trust Company of Chicago; Paul Laskoski, Senior Vice President (Finance) of The First Pennsylvania Banking and Trust Company of Philadelphia; James E. Lodge, Director of the Operations and Automation Division of The American Bankers Association; and Thom McCord, Principal Bank Counselor of the Bank Administration Institute.

The committee is recruiting a group of banks to experiment with procedures for linking ISBAR into their own accounting and information systems. Any bank interested in obtaining more information about the experiment should contact the ABA or BAI staff representative on the committee.

In addition, the ABA and BAI are prepared to organize appropriate forms of educational sessions on ISBAR if a need becomes evident.

(3) Will the use of the system be compulsory for banks?

Nothing in the ISBAR approach is compulsory for any bank. Use of the system is completely at the option of each commercial bank. A major purpose of the approach is to provide the flexibility of alternative procedures to those banks that can use such procedures to advantage, while also allowing each bank the option of continuing under existing procedures.

Each reporting bank has the option to use the system or not. If a bank does choose to use the system, other options arise on how and to what extent. Thus, a bank may use the ISBAR materials for any one, or any combination, of the uses discussed under Question (1). It may use them for all of the reports covered by the system that are applicable to it or for any subset of reports or even for parts of reports. It may use the approach in connection with some of its files or some of its

departments and not others. The bank may adopt the procedures as soon as ISBAR becomes operational or at any time thereafter.

(4) Does ISBAR involve any changes in the substance of information that banks report?

ISBAR does not add to, or otherwise change, the substance of reporting requirements. The system focuses on procedural and format matters and on improvement, codification, and systematization of definitions within the context of the existing substance of reports. Whether a bank uses ISBAR or the current procedures, it will report the same items of information at the same levels of detail for the same reports. Any future changes that occur in reporting requirements as a result of changes in banking agency information needs will be reflected in the ISBAR operating materials—just as they will be in the current reporting forms—but the ISBAR procedures do not in themselves initiate such changes.

(5) Does the use of ISBAR put any particular requirements or restrictions on banks' internal recordkeeping procedures?

ISBAR does not impose, or presuppose, any particular design for banks' accounting, record-keeping, or information systems. Each bank that uses the ISBAR materials will continue to determine its own procedures in accordance with its individual needs.

This is true in particular for the classification and coding systems used by a bank to identify and differentiate its accounts. ISBAR does provide the substantive basis for the classification structure that is needed for such identification of accounts as is relevant to reporting requirements. But the particular format, organization, and level of detail of the ISBAR classification structure does not constitute a recommended standard system of classification for bank use. For its own purposes, each bank may have need for additional classification detail and for a different organization of its classification system. Similarly with respect to the code num-

bers that represent the classification structure, ISBAR does not require or provide a particular coding system for use by banks in the coding of their accounts. The code numbering used in the ISBAR documents is for identification and reference within the ISBAR materials and for coded communication of information requests. These ISBAR codes are not intended or designed for bank use in coding accounts. A bank that makes any use of the ISBAR materials would use a code numbering system in the classification of its accounts that is appropriate for its own needs.

However, because ISBAR does not put any particular requirements on banks' recordkeeping procedures, each bank using the ISBAR materials in connection with coded or automated generation of agency reports will have to prepare and maintain a conversion table linking the ISBAR classifications, codes, and procedures to its own records, classifications, codes, and procedures. This conversion table would be the operating link between the ISBAR report Instructions, which are stated in terms of the ISBAR codes, and the information as it is organized and identified in a bank's records. As mentioned in connection with Question 2, some experimental exercises in performing the kind of substantive identification necessary to prepare such conversion tables will be organized by the joint ABA-BAI steering committee.

The absence of any requirements on banks' internal procedures, other than for a conversion table, does not mean that a bank's decision to use the ISBAR materials may not have some effect on its recordkeeping procedures. It is unlikely that there will be any significant impact in those cases where the bank is using the ISBAR materials solely for definitional purposes, although even here clarification of reporting requirements may result in some change in internal records. But there may be a significant impact in those instances where a bank is using the ISBAR materials as an input to its systems design activities or where a bank is trying to adapt its existing procedures to take advantage of the ISBAR approach. However, even where use of the ISBAR materials strongly influences the direction that a bank takes in designing or

adapting its procedures, each bank will still be free to design its systems to meet its own needs.

(6) What reports are covered in the system?

When ISBAR becomes operational in 1975, it will cover the definitional requirements of reports that meet all of the following conditions: (a) The reports are issued by one or more of the three Federal banking supervisory agencies (including the Treasury's Foreign Exchange Reports collected through the Federal Reserve Banks); (b) they are submitted by commercial banks; and (c) they request information on balance sheet and related items. Certain reports meeting these criteria are excluded as unsuited for the ISBAR approach—for example, reports that request judgmental or qualitative information and some one-time or infrequently collected reports that ask for highly detailed, specialized information. Within the indicated scope, the system covers all reports—whether regulatory, supervisory, or statistical; whether mandatory or voluntary; whether completed by all banks or by a sample of banks.

Reports that will not be explicitly covered in the 1975 version of the system include: (a) banking agency reports that do not deal with balance sheet and related items, such as the Report of Income; (b) reports collected from bank trust departments, Edge Act subsidiaries, and bank holding companies and other nonbank affiliates; (c) reports of other Federal agencies, such as the Securities and Exchange Commission and the Internal Revenue Service; and (d) reports of State banking supervisory agencies.

Similarly, information needs of commercial banks for purposes other than compiling the covered reports are not explicitly incorporated in the structure. While there is a considerable overlap between the information that banks need for reporting and what they need for their own purposes, banks presumably require classification detail for internal purposes that is not provided in the ISBAR structure. Because the additional details needed vary from bank to bank, the commercial bank Steering Committee on Banking Information recommended that the

project not attempt to develop a comprehensive classification structure covering all of the information needs of commercial banks.

The preliminary version of the operating materials has not yet incorporated some of the reports that will be covered in the 1975 operational version. The incorporation of the remaining reports to be covered will undoubtedly result in some changes in the ISBAR classification structure and other materials. These changes will be in addition to those resulting from industry and agency review of the preliminary version. The specific reports covered in this preliminary version and those to be included in the 1975 version of ISBAR are listed in the additional descriptive material that is available on request.

(7) How will future changes in reporting requirements be handled in the system?

When ISBAR becomes operational in 1975, the classification structure will reflect the definitional requirements of those reports coming within the scope of the system that are being collected at that time. Not all future requests by banking agencies for new or revised information will come within the scope of ISBAR, but those that do will require prompt preparation and distribution of additional ISBAR materials. If such requests for information can be completely defined in terms of the classification structure as it stands, the main changes required in the material will be the preparation of coded Instructions for the new requests.

However, there can be no guarantee, or presumption, that future information needs of the agencies—even if within the general scope of the system—will be limited to those that can be defined in terms of the ISBAR classification structure as it stands at any time. When agencies do request such new information that is not so definable, appropriate changes will have to be made in the ISBAR classification structure as well as in the Instructions. However, agency procedures will be established in order to prevent unnecessary changes in the structure and to keep to a minimum those changes that are required.

Once the system is operational, all ISBAR documents will be maintained and updated as needed. Whenever a change in reporting requirements entails a change of any kind in the structure, notice to this effect, along with the necessary revisions and additions to all relevant ISBAR documents, will be sent immediately to all banks that have the ISBAR materials. In the 1975 version, these documents will be issued in a looseleaf form so that new and revised pages may be incorporated readily.

(8) Will the ISBAR approach be extended to other types of reports?

An extension of ISBAR to the balance sheet reports requested by other agencies—for example, the Internal Revenue Service, the Securities and Exchange Commission, the Department of Commerce, and the State bank supervisors—would probably require the addition of considerable detail, but not necessarily a drastic redesign of the structure. From the beginning of the project, the intention has been to cover these reports eventually, but the administrative problems involved in doing so have not yet been faced. A feasibility study will undoubtedly be conducted after the system has been satisfactorily implemented in its present scope and is working smoothly.

Extension of the approach to the Report of Income or to reports submitted by bank holding companies would raise difficult problems of substance. These reports might require quite different parallel structures rather than incorporation into the present structure. It is unlikely that the project will be able to turn to those areas until there has been considerable operating experience with the present coverage of reports.

(9) How does ISBAR fit into the general efforts of the banking agencies to deal with problems of reporting burden?

The burden of banking agency reports on banks arises both from the substance of the information to be reported and from the procedures used in requesting, defining, and transmitting the information. ISBAR as such deals

only with matters of reporting procedure; it takes the substance of reports as given. However, ISBAR was also intended and designed to be used as a comprehensive framework for approaching problems of substance and to give technical support for those agency programs dealing with such problems. The ISBAR materials provide an effective mechanism for the kind of detailed and comprehensive comparison of the contents of existing reports that would be needed in any program of evaluation and restructuring of the substance of reports. Moreover, the system will provide an efficient mechanism for communicating to reporting banks the results of revisions of individual reports or restructuring of groups of related reports. Also, because it provides a sharp and immediate focus on definitional questions, the system—once it is operational—will have a significant role to play in the design and introduction of new requests for information.

(10) What additional materials on the system are available and how can they be obtained?

The full presentation of ISBAR is contained in a set of documents that provides both a more complete description of the system and copies of the operating materials. The presentation bears the general title *Information System for Banking Agency Reports* and is divided into four major parts:

PART 1 is a general description of the system—its origins, purposes, scope, characteristics, uses, and operating materials and procedures. It also discusses the relationship of the system materials and procedures to banks' own recordkeeping and information systems.

PART 2 consists of the various operating documents required to implement the procedures of the system. These include the classification structure needed to specify the lines of the covered reports, a Dictionary defining each element of the structure, and a set of coded report Instructions that specify the Report of Condition and its schedules in terms of the elements of the classification

structure. Part 2 also includes a technical *Guide to Operating Documents* that describes in detail the formats, contents, and use of these documents.

PART 3 contains the coded report Instructions for all covered reports except the Report of Condition, which is in Part 2. Because all banks do not prepare the same reports, a bank requesting Part 3 will receive only those coded report Instructions that are relevant to it.

PART 4 comprises supplementary documents that are not needed for the definitional use of the system but that may be of interest for design and evaluation purposes to those banks that desire to use the system in connection with coded or automated retrieval of information for agency reports. A description of these supplementary documents is contained in the *Guide to Operating Documents* of Part 2.

Each part of the ISBAR presentation is available separately upon request. Banks may request as much of the material as they wish; but because the entire presentation is of considerable size, banks with no previous exposure to the system may find it helpful to examine the descriptive Part 1 before deciding to request the operating documents of Parts 2 and 3 or the supplementary documents of Part 4.

The documents making up the presentation may be obtained by writing to the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or any Federal Reserve Bank. The specific addresses to which requests should be sent are listed on the inside of the back cover of this pamphlet. Requests should specify which parts of the presentation are wanted.

In addition to providing the documents, the agencies will endeavor, within the limits of the availability of knowledgeable personnel, to discuss the use of the ISBAR materials with interested banks. Banks or groups of banks that are interested in arranging discussions between their staffs and the project staff should address inquiries concerning the possibility of such discussions to any of the agency offices listed on the inside of the back cover.

AVAILABILITY OF ISBAR DOCUMENTS

The various parts of the ISBAR presentation and additional copies of this pamphlet may be obtained by writing to any of the offices listed below. (Comments on the approach may also be sent to the same addresses.)

Bank Report Reform Project
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

Department of Banking and Economic Research
Office of the Comptroller of the Currency
Washington, D.C. 20219

Division of Research
Federal Deposit Insurance Corporation
Washington, D.C. 20429

Bank Report Reform Liaison Officer
Federal Reserve Bank of Boston
Boston, Massachusetts 02106

Bank Report Reform Liaison Officer
Federal Reserve Bank of New York
New York, New York 10045

Bank Report Reform Liaison Officer
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania 19101

Bank Report Reform Liaison Officer
Federal Reserve Bank of Cleveland
Cleveland, Ohio 44101

Bank Report Reform Liaison Officer
Federal Reserve Bank of Richmond
Richmond, Virginia 23261

Bank Report Reform Liaison Officer
Federal Reserve Bank of Atlanta
Atlanta, Georgia 30303

Bank Report Reform Liaison Officer
Federal Reserve Bank of Chicago
Chicago, Illinois 60690

Bank Report Reform Liaison Officer
Federal Reserve Bank of St. Louis
St. Louis, Missouri 63166

Bank Report Reform Liaison Officer
Federal Reserve Bank of Minneapolis
Minneapolis, Minnesota 55480

Bank Report Reform Liaison Officer
Federal Reserve Bank of Kansas City
Kansas City, Missouri 64198

Bank Report Reform Liaison Officer
Federal Reserve Bank of Dallas
Dallas, Texas 75222

Bank Report Reform Liaison Officer
Federal Reserve Bank of San Francisco
San Francisco, California 94120