

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

March 30, 2001

To: The Individual Responsible for Preparing the Financial Statements for Large Bank Holding Companies (FR Y-9C) Located in the Second Federal Reserve District

Subject: Bank Holding Company Reporting Requirements for March 31, 2001

Enclosed are two copies of the following report forms and instructions for the March 31, 2001 reporting date:

- (1) Consolidated Financial Statements for Bank Holding Companies (FR Y-9C);
- (2) Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP);
- (3) Supplement to the Consolidated Financial Statement for Bank Holding Companies (FR Y-9CS);
- (4) Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8); and
- (5) Quarterly Financial Statements of Nonbank Subsidiaries of Bank Holding Companies (FR Y-11Q).

As you know, the FR Y-9C, FR Y-9LP, and FR Y-11Q reports have been significantly revised for March 2001. A listing of the schedule labeling changes to the FR Y-9C have been provided in Attachment II. A summary of significant reporting revisions to the FR Y-9C, FR Y-9LP and FR Y-11Q is included in Attachment III. There are no revisions to the FR Y-9CS and FR Y-8 reports for this quarter. In addition Attachment I provides supplemental instructions for FAS 133 and FAS 140.

We now offer distribution of this letter, report forms, and instructions via e-mail. If you are interested in receiving this electronically, please fax the attached form to Carolyn Polite at (212) 720-2478.

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Past Due and Nonaccrual Loans and Leases Held for Sale

A separate item for "Loans and leases held for sale" (new item 4.a) has been added to the balance sheet as a category under "Loans and lease financing receivables" (item 4). Please note that loans and leases held for sale will continue to be reported with the holding company's other loans in the loan schedule (new Schedule HC-C).

Similarly, the coverage of the line items for loans and leases in the new Schedule HC-N - Past Due and Nonaccrual Loans, Leases, and Other Assets (formerly Schedule HC-H) encompasses all loans and leases that are reported in Schedule HC-C, regardless of the purpose for which they are held. Therefore, bank holding companies should include in the appropriate line items of Schedule HC-N all loans and leases reported in Schedule HC-N, that are past due 30 days or more and still accruing or in nonaccrual status, including those that are held for sale.

In addition, the confidential treatment for items past due 30 to 89 days and restructured items was eliminated. For periods prior to March 31, 2001, data on former Schedule HC-H, Column A, requiring information of "assets past due 30 through 89 days and still accruing" and former Schedule HC-H, Memoranda item 2, "Restructured loans and leases" will not be publicly disclosed on an individual bank holding company basis.

Asset Securitization Activities

Effective with the June 30, 2001 FR Y-9C, a new schedule, Schedule HC-S, will collect information related to BHC securitization and asset sale activities. BHCs involved in securitization and asset sales will report quarter-end (or year-to-date) data for seven loan categories similar to the manner in which they report their loan portfolios. These data will cover 1-4 family residential loans, home equity lines, credit card receivables, auto loans, other consumer loans, commercial and industrial loans, and all other loans and leases. For each loan category, BHCs will report: (1) the outstanding principal balance of assets sold and securitized with servicing retained or with recourse or seller-provided credit enhancements, (2) the maximum amount of credit exposure arising from recourse or credit enhancements to securitization structures (separately for those sponsored by the reporting institution and those sponsored by other institutions), (3) the past due amounts and charge-offs and recoveries on the underlying securitized assets, (4) the amount

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of any commitments to provide liquidity to the securitization structures, (5) the outstanding principal balance of assets sold with servicing retained or with recourse or seller-provided credit enhancements that have not been securitized, (6) the amount of ownership (or seller's) interests carried as securities or loans, and (7) the maximum amount of credit exposure arising from assets sold with recourse or seller-provided credit enhancements that have not been securitized. A limited amount of information will also be collected on BHC credit exposures to asset-backed commercial paper conduits. For the home equity line, credit card receivable, and the commercial and industrial loan categories, BHCs will also report the amount of any ownership (or seller's) interests in securitizations that are carried as securities and the past due amounts and charge-offs and recoveries on the assets underlying these seller's interests.

Prior to these revisions, information related to securitizations, asset sales, and servicing were reported in former Schedule HC-F - Off-Balance Sheet Items and former Schedule HC-G -- Memoranda. For the March report, the pre-existing items were moved into the Memoranda section of Schedule HC-S. These items and what should be reported are as follows:

- (1) Former Schedule HC-F, items 5.a.(1) and (2) and items 5.b.(1) and (2) -- The outstanding principal balance and amount of recourse exposure on "First lien 1-4 family residential mortgage loans" and "Other financial assets" that have been transferred with recourse and are treated as sold will be collected on Schedule HC-S, Memorandum items 4.a.(1) and (2) and items 4.b(1) and (2), for the last time in the March report.
- (2) Former Schedule HC-F, items 5.c.(1) and (2) -- The outstanding principal balance and amount of retained recourse on "Small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994" will be collected on Schedule HC-S, Memorandum items 1.a and 1.b, from March 31, 2001 forward.
- (3) Former Schedule HC-G, item 17 -- The six-way breakdown of the "Outstanding principal balance of 1-4 family residential mortgage loans serviced for others" by type of servicing contract will be collected on Schedule HC-S in Memorandum items 2.a and 2.b, for March 31, 2001, and forward. In addition, new Memorandum item 2.c will begin to be reported as-of June 30, 2001.

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The Federal Reserve and the other banking agencies jointly issued Interagency Guidelines on Asset Securitization on December 13, 1999. These guidelines highlight the risks associated with asset securitization and emphasize the agencies' concerns with certain retained interests generated from the securitization and sale of assets. The guidance addresses the fundamental risk management practices that should be in place at institutions that engage in securitization activity. The agencies noted that they had discovered significant weaknesses in the risk management processes at certain institutions. These weaknesses include inaccurate and insufficiently supported valuations of retained interests; incorrect reporting of securitization transactions, including retained interests that act as credit enhancements; and failure to hold sufficient capital against recourse exposures.

If a subsidiary bank(s) or other subsidiaries of the bank holding company are engaged in securitizations or other asset sale transactions, please ensure that these transactions are reported properly in the FR Y-9C. For further information, refer to the instructions for Schedule HC-F - Other Assets, item 3; Schedule HC-S - Securitization and Asset Sale Activities, Memorandum items 1 and 4; and Schedule HC-R - Regulatory Capital, items 49 through 51.

Schedule HC-R-Risk-Based Capital (formerly Schedule HC-I)

The risk-based capital schedule (former Schedule HC-I) was revised to incorporate many of the reporting concepts of the optional regulatory capital worksheet. All top-tier BHCs with total consolidated assets of \$150 million or more will continue to be required to complete the entire revised regulatory capital schedule. The revised schedule will also more directly correspond to the revised commercial bank Regulatory Capital schedule on the Call Report.

In general, the revised format will use a systematic, step-by-step building block approach under which BHCs will report the various components and adjustments that determine Tier 1, Tier 2, and total capital, as well as risk-weighted assets. This means that all regulatory capital ratios - the Tier 1 leverage ratio, the Tier 1 risk-based capital ratio, and the total risk-based capital ratio -- will be derived directly from the items that BHCs report on this schedule. These ratios will also be disclosed in the schedule.

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A number of items that are collected principally for regulatory capital calculation purposes were moved from their previous locations on other FR Y-9C schedules to the revised capital schedule. In addition, former Part I, Memoranda item 6, "Fair value of mortgage servicing assets," was re-titled as "Estimated fair value of mortgage servicing assets" and moved to Schedule HC-M, Memoranda, item 18.a(1).

FR Y-8 Reporting

Beginning with the December 31, 2000 FR Y-8 report, ***each bank holding company is required to submit a separate FR Y-8 for each insured depository institution of your bank holding company. There are no exemptions.***

FR Y-9CS Reporting

All bank holding companies that are financial holding companies as of March 31, 2001 and filing the FR Y-9C are required to submit the completed FR Y-9CS with the quarterly FR Y-9C. There are no changes to this report form for March.

Reports Submission

An original and two copies (one-sided) of each completed bank holding company report must be returned to this bank by mail or messenger by the dates listed below. Under the Regulatory Reports Monitoring Program, the timeliness of receipt of these reports will be monitored. Earlier submission would aid this Bank in reviewing and processing the reports and is encouraged.

The submission deadline for the **FR Y-9C, FR Y-9LP, and FR Y-9CS** is **Tuesday May 15, 2001**. Any FR Y-9C, FR Y-9LP, or FR Y-9CS reports received after 5:00 p.m. on May 15 will be considered late unless postmarked by Saturday May 12 or sent by overnight service by Monday, May 14.

The submission deadline for the **FR Y-11Q** is **Wednesday May 30, 2001**. Any FR Y-11Q report received after 5:00 p.m. on May 30 will be considered late unless postmarked by Sunday May 27 or sent by overnight service by Tuesday, May 29.

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The submission deadline for the **FR Y-8** is **Monday April 30, 2001**. Any FR Y-8 report received after 5:00 p.m. on April 30 will be considered late unless postmarked by Friday April 27 or sent by overnight service by Sunday, April 29.

Submission of initial data via facsimile, even if prior to this deadline does not constitute timely filing. In view of this, please be sure that completed reports are submitted on time to:

**Federal Reserve Bank of New York
Statistics Function
Administrative Support Staff
33 Liberty Street, 4th Floor
New York, N.Y. 10045**

Edit Checklist

The staff of this Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits". Enclosed are the updates to the monitoring edits. Please note these updates to ensure your institution meets these edit test. Also, to avoid common reporting errors, we are now providing a list of edit checks which we perform between the FR Y-9LP and FR Y-9C reports. Please refer to Attachment IV for a listing of these edits.

Electronic Submission Option

This Bank offers bank holding companies the option of submitting their FR Y-9C, FR Y-9LP, FR Y-9CS, FR Y-11Q reports electronically. Any bank holding company interested in submitting these reports electronically should contact Carolyn Polite, at (212) 720-5415 for information concerning the procedures for electronic transmission. Bank holding companies choosing to submit these reports electronically must maintain in their files a signed printout of the data submitted. The cover page of the Reserve Bank supplied report forms should be used to fulfill the signature and attestation requirement and this page should be attached to the printout placed in the bank holding company's files.

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Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-9CS, FR Y-8, and FR Y-11Q are also available on the Federal Reserve Board's web site at www.federalreserve.gov under "Reporting Forms".

Questions regarding these reports should be addressed to Anthony Pietrangolare, Staff Director, at (212) 720-8591. Questions regarding the capital adequacy guidelines should be directed to Dianne Dobbeck in the Policy and Analysis Department at (212) 720-2610.

Sincerely,

Kenneth P. Lamar
Assistant Vice President
Financial Reports Department

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ATTACHMENT I

Supplemental Instructions:**FASB Statement No. 133**

Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, is now in effect and must be adopted by bank holding companies on regulatory reports. Bank holding companies are encouraged to consult with their outside accountants concerning the implementation of this accounting standard.

FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other financial instruments, and for hedging activities. Under FAS 133, bank holding companies must recognize all derivatives as either assets or liabilities on the balance sheet and must measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a "fair value hedge," a "cash flow hedge," or a hedge of a foreign currency exposure of a net investment in a foreign operation. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.

After a bank holding company adopts FAS 133, its derivatives must be reported at fair value on the balance sheet (Schedule HC). Derivatives that are held for purposes other than trading that have positive fair values should be included in the new Schedule HC-F - Other Assets, item 5, "Other" assets. Derivatives held for purposes other than trading that have negative fair values should be included in the new Schedule HC-G -- Other Liabilities, item 4, "Other" liabilities. Derivatives held for trading should continue to be reported in trading assets or trading liabilities, as appropriate, on the balance sheet (Schedule HC) and, if applicable, in new Schedule HC-D - Trading Assets and Liabilities.

In addition, the bank holding company should include any accumulated net gains (losses) on cash flow hedges on the balance sheet (Schedule HC) in 26(b), "Accumulated other comprehensive income." The year-to-date change in the accumulated net gains

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(losses) on cash flow hedges should be reported in the changes in equity capital schedule (Schedule HI-A) in item 12, "Other comprehensive income." Any transition adjustments at the date of initial application of FAS 133 that must be reported as a cumulative-effect-type adjustment of net income should be included in the income statement (Schedule HI) in line item 12, "Extraordinary items, net of applicable income taxes and minority interest," and disclosed separately in memorandum item 8(a)(1), "Extraordinary items and other adjustments," with the applicable income tax effect reported in memorandum item 8(a)(2). Memorandum item 8(a)(1) has been specifically designated for reporting the income statement effect of adopting FAS 133.

The transition provisions of FAS 133 provide that at the date of initial application (January 1, 2001, for most bank holding companies) a bank holding company may transfer any debt security categorized as held-to-maturity into the available-for-sale category or the trading category without calling into question the bank holding company's intent to hold other debt securities to maturity. Such transfer may not be made after the date of initial application. Unrealized holding gains (losses) on transferred held-to-maturity debt securities on the date of initial application must be reported as a cumulative-effect-type adjustment of net income if transferred to the trading category or an adjustment to the change in net unrealized holding gains (losses) on available-for-sale securities if transferred to the available-for-sale category. Any security transferred from the held-to-maturity category on the date of application of FAS 133 and sold in the same fiscal quarter should be treated as having been transferred to the trading category, not the available-for-sale category.

In December of 1998 the Banking Agencies published interim guidance on the risk based capital treatment of derivatives under FAS 133. The guidance states that existing rules (pre-FAS 133) for risk-based capital remains in effect. That is, the recording of derivatives on the balance sheet will not change the risk-weighted amount of the derivatives. The amounts from cash flow hedges reported in other comprehensive income should be excluded from regulatory capital. Please refer to interim guidance for more detail.

FASB Statement No. 140

In September 2000, the FASB adopted Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and*

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Extinguishments of Liabilities, as a replacement for FAS 125. FAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral, but it carries over most of the provisions of FAS 125.

FAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The statement is effective for recognition and classification of collateral for fiscal years ending after December 15, 2000. Bank holding companies must adopt FAS 140 on the FR Y-9C for these effective dates and are encouraged to consult with their outside accountants concerning their implementation of FAS 140.

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ATTACHMENT II

Order and Lettering of Schedules

The ordering and lettering of the FR Y-9C schedules were revised to conform to the Call Report.

FR Y-9C Schedule Changes Effective March 31, 2001

<u>OLD SCHEDULE</u>	<u>NEW SCHEDULE</u>
HC-A Securities	HC-B Securities
HC-B (I) Loans and Lease Financing Receivables	HC-C Loans and Lease Financing Receivables
HC-B (II) Trading Assets and Liabilities	HC-D - Trading Assets and Liabilities
HC-C Deposit Liabilities in Domestic	HC-E - Deposit Liabilities Offices of Subsidiary Depository Institutions of the Bank Holding Company
N/A	HC-F Other Assets
N/A	HC-G Other Liabilities
HC-D Interest Sensitivity	HC-H Interest Sensitivity
N/A	HC-I Insurance-Related Activities
HC-E Quarterly Averages	HC-K Quarterly Averages
HC-F Off-Balance Sheet Items	HC-L Derivatives and Off-Balance Sheet Items
HC-G Memoranda	HC-M Memoranda
HC-H Past Due and Nonaccrual Loans, Lease Financing Receivables, Placements, and Other Assets	HC-N -- Past Due and Nonaccrual Loans, Leases, and Other Assets
HC-I Risk-Based Capital	HC-R Regulatory Capital
HC-IC Additional Detail on Capital	HC-R Regulatory Capital Components
N/A	HC-S Securitization and Assets Sale Activities

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ATTACHMENT III**Significant Revisions to the FR Y-9C for March 2001:**

The following discussion of revisions follows the order of the forms as they existed as-of December 31, 2000. See Attachment II for a complete listing of the old and new schedules and the new alignment. To reduce reporting burden, the presentation order and certain captions were revised to align the FR Y-9C with the Call Report.

Schedule HC -- Consolidated Balance Sheet

- (1) "Allocated transfer risk reserve," (former item 4.c) was deleted from the balance sheet and moved to the new regulatory capital schedule, Schedule HC-R. Loans and leases will be reported net of any allocated transfer risk reserve on the loan schedule, Schedule HC-C.
- (2) Components of "Other real estate owned" (item 7), (former items 7.a and 7.b), "Intangible assets" (item 10), (former items 10.a, 10.b(1), and 10.b(2)), "Commercial paper" (former item 16), "Other borrowed money with a remaining maturity of more than one year" (former item 17), and "Other borrowed money with a remaining maturity of more than one year" (former item 18), were moved to the Memoranda schedule.
- (3) "Mandatory convertible securities" (former item 20) was deleted. Information on mandatory convertible securities will be included in "Subordinated notes and debentures" (new item 19).
- (4) "Net unrealized holding gains (losses) on available-for-sale securities," (former item 27.e), "Accumulated net gains (losses) on cash flow hedges," (former item 27.f), and "Cumulative foreign currency translation adjustments," (former item 27.g) were combined into "Accumulated other comprehensive income" (new item 26.b).
- (5) "Other equity capital components" (item 27) was added to the equity capital section. This item will include treasury stock and unearned Employee Stock Ownership Plan shares. These

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items will continue to be reported separately on the revised regulatory capital schedule, Schedule HC-R.

Schedule HC-B - Securities (formerly Schedule HC-A)

- (1) "Taxable securities" (former item 3.a), and "Tax exempt securities" (former item 3.b), were combined and re-captioned "Securities issued by states and political subdivisions in the U.S." (new item 3).
- (2) U.S. securities (former item 4) and foreign securities (former item 5) were revised to collect only U.S. debt securities (new item 6.a) and foreign debt securities (new item 6.b).
- (3) The fair value and amortized cost for six new categories of asset-backed securities was added. These categories are to be reported in item 5.
- (4) "Investments in mutual funds and other equity securities with readily determinable fair values" (new item 7), was added for all FR Y-9C reporters. This information (former Memoranda item 9.a) was previously collected only from BHCs with total consolidated assets of \$1 billion or more.
- (5) "Net unrealized holding losses on available-for-sale equity securities with readily determinable fair values" (former memoranda item 4.a), and "Amount of net unrealized holding gains on available for sale equity securities" (former memoranda item 4.c), from former Schedule HC-A were moved to Schedule HC-R.
- (6) "U.S. government agency and corporation obligations (exclude mortgage-backed securities)" (former Memoranda item 7), collected from BHCs with total consolidated assets of \$1 billion or more was moved to the revised Schedule HC-B, as items 2.a and 2.b. These two items replaced the total that was reported for U.S. government agency and corporate obligations formerly reported in item 2 and will now be reported by all BHCs.
- (7) "Mortgage-backed securities (MBS)" (former Memoranda item 8), "Pass-through securities" (former Memorandum item 8.a)

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and "Other mortgage-backed securities (include CMOs, REMICs, and stripped MBS)" (former Memorandum item 8.b) were moved to revised Schedule HC-B, items 4.a and 4.b. These items will now be reported by all BHCs.

- (8) "All other equity securities" (former memoranda item 9.c), that is equity securities without readily determinable fair values, of former Schedule HC-A was moved to item 4.a on the new Schedule HC-F - Other Assets.

Schedule HC-C - Loans and Lease Financing Receivables (formerly Schedule HC-B, Part I)

- (1) The instructions for "Construction and land development" loans previously excluded from this category loans to acquire and hold vacant land and construction loans with original maturities greater than 60 months. These types of loans were reported as loans secured by farmland, 1-4 family residential properties, multifamily residential properties, or nonfarm nonresidential properties, as appropriate. The definitions for the five categories of "Loans secured by real estate" were revised so that land loans and long-term construction loans are reported in a re-captioned "Construction, land development, and other land loans", (item 1.a).
- (2) "Acceptances of other banks" (formerly items 3 and 4, respectively) was combined with "Loans to depository institutions" (new item 2).
- (3) "Credit cards and related plans to individuals for household, family, and other personal expenditures" (former item 6.a, column A), was separated into two loan categories for "Credit cards" (new item 6.a) and "Other revolving credit plans" (new item 6.b).
- (4) The three-way breakout for "All other loans" (former item 8), was collapsed into a single new item 9.
- (5) Memorandum items on restructured credits (formerly Memorandum items 1.a through 1.h.) were replaced with a single Memorandum item for the total amount of a BHC's "Loans and leases restructured and in compliance with

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modified terms" (new Memoranda item 1). Restructured loans secured by 1-4 family residential properties and restructured consumer loans are excluded from the revised Memorandum item.

- (6) A new item, "Loans secured by real estate to non-U.S. addressees (domicile)" (Memoranda item 3) was added.

Schedule HC-D - Trading Assets and Liabilities (formerly Schedule HC-B, Part II)

A BHC reporting a quarterly average for trading assets of \$2 million or more (new item 4.a, Schedule HC-K) as of the March 31st report date will now be required to file this schedule for the calendar year.

New Schedules for "Other Assets" (Schedule HC-F) and Other Liabilities" (Schedule HC-G)

Two new schedules for the reporting of "Other Assets" (Schedule HC-F) and "Other Liabilities" (Schedule HC-G) were added. Items reported on these schedules consist of items previously reported on the Memoranda and Securities schedules, and new items.

The "Other Assets" schedule consists of the following items: (1) Accrued interest receivables, (2) Net deferred tax assets, (3) Interest-only strips receivable (not in the form of a security) on: a. Mortgage loans and b. Other financial assets, (4) Equity securities that do not have readily determinable fair values, (5) Other and (6) Total. The "Other Liabilities" schedule consists of the following items: (1) Not applicable, (2) Net deferred tax liabilities, (3) Allowance for credit losses on off-balance-sheet credit exposures, (4) Other and (5) Total.

Item 2 on the "Other Liabilities" schedule, "Allowance for credit losses on off-balance-sheet credit exposures," is included on the balance sheet as a component of other liabilities separate from the allowance for loan and lease losses.

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Schedule HC-I-Insurance-Related Activities

A new schedule HC-I, "Insurance-Related Activities," has been added to obtain the following information: (1) Reinsurance recoverables; (2) Claims and claims adjustment expense reserves; and (3) Unearned premiums; (4) Separate account assets; (5) Policyholder benefits and contractholder funds; and (6) Separate account liabilities; (7) Total assets and (8) Net Income.

Two "identifier" items have also been added to Schedule HI-Consolidated Income Statement under Memoranda item 12, "Premiums" (new item 12.b) and "Benefits, losses and expenses from insurance related activities" (new item 12.c).

Schedule HC-L-Derivatives and Off-Balance-Sheet Items (formerly Schedule HC-F)

- (1) "Standby letters of credit and foreign office guarantees" between "To U.S. addressees" (item 2.a.(1)), and "To non-U.S. addressees" (2.a.(2)) was combined in the new Schedule HC-L, in new item 2.
- (2) "Financial standby letters of credit" (item 2) and "Amount of financial standby letters of credit conveyed to others" (item 2.a) were added.
- (3) "Performance standby letters of credit" (item 3) and "Amount of performance standby letters of credit conveyed to others" (item 3.a) were added.
- (4) "Other significant off-balance-sheet items (exclude off-balance-sheet derivatives) that exceed 10% of total equity capital" (item 9) was re-titled to "All other off-balance-sheet items (exclude derivatives)" to capture all other off-balance-sheet exposures.
- (5) "Securities borrowed" (former Schedule HC-F, Part II, item 3), was deleted. The amount of borrowed securities will be reported in "All other significant off-balance-sheet items" (renumbered item 9), and disclosed separately in items 9.a. through 9.d., if such amount exceeds 25 percent of the bank holding company's equity capital reported in Schedule HC, item 28.

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- (6) Information collected in former Part II, items 5.a, 5.b, and 5.c on the outstanding principal balance of and amount of recourse on three categories of financial asset transfers was moved from former Schedule HC-F and incorporated into the new schedule Schedule HC-S.
- (7) "Participations in acceptances acquired by the reporting BHC," (Part II, Item 6.b), and "Participations in unused commitments" (Memorandum item 1) were moved from Schedule HC-F to Schedule HC-R. Also, former Memorandum item 1 was redefined to collect information on commitments with an original maturity exceeding one year and reported on Schedule HC-R.
- (8) The gross notional amount of derivative contracts held for purposes other than trading that are not marked to market (former Part III, Item 3.b) was deleted.
- (9) The gross positive and gross negative fair values of derivatives held for purposes other than trading that are not marked to market (former Part III, items 4.c.(1) and (2)) was deleted from former Schedule HC-F.

Schedule HC-M—Memoranda (formerly Schedule HC-G)

- (1) The deferred tax assets reported in "IRS loan loss provision" (former item 1.a.(1)), and "Other" (former item 1.a.(2)), was replaced by a single item for "Net deferred tax assets" included on the new Schedule HC-F, "Other Assets". Similarly, deferred tax liabilities reported in "IRS loan loss provision" (former item 1.b.(1)) and "Other" (former item 1.b.(2)) was replaced by a single item for "Net deferred tax liabilities" and was included on the new Schedule HC-G, "Other Liabilities".
- (2) "Number of full-time equivalent employees" (former item 3) was moved to Schedule HI memoranda item 5.
- (3) "Amount of cash items in process of collection netted against deposit liabilities in reporting Schedule HC" (former item 7.a), "Reciprocal demand balances with depository institutions (other than commercial banks in the U.S.)" (former item 8), and "Please describe and list below

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- separately the dollar amount outstanding of assets removed from the reporting company's balance sheet (Schedule HC) in connection with assets netted against liabilities when there exists a legal right of offset" (former item 16) were deleted.
- (4) "Income earned, not collected on loans" (former item 14), was expanded to cover all "Accrued interest receivable" and was moved to the new Schedule HC-F (new item 1).
 - (5) The six-way breakdown of the "Outstanding principal balance of 1-4 family residential mortgage loans serviced for others" (former items 17.a through 17.d), was moved from former Schedule HC-G and condensed into two items in new Schedule HC-S (item 2).
 - (6) "Deferred tax assets in excess of regulatory capital limits" (former item 19), was re-titled to "Disallowed deferred tax assets" and moved to the revised regulatory capital schedule, Schedule HC-R.
 - (7) Collection of data on quarterly sales of annuities, mutual funds, and proprietary products (former items 20.a through 20.f), were replaced with a "yes" or "no" question asking whether the BHC sells private label or third party mutual funds and annuities (new item 15). In addition a new item (item 16) was added to report the total assets under management in proprietary mutual funds and annuities.
 - (8) "Net unamortized realized deferred gains (losses) on off-balance-sheet derivative contracts included in assets and liabilities reported in Schedule HC" (former item 22), was deleted.

Schedule HC-N—Past Due and Nonaccrual Loans, Leases, and Other Assets (formerly Schedule HC-H)

- (1) "Loans secured by real estate" (former item 1), was deleted.
- (2) The presentation of loan category information was modified to better match the revised loan schedule (HC-C) by moving

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the current breakdown of loans secured by real estate from the Memoranda section of former Schedule HC-H, item 4, to item 1 of new Schedule HC-N, and redefining item 5.a of former Schedule HC-H to exclude related plans, which will be reported in item 5.b of new Schedule HC-N. BHCs will separately report their past due and nonaccrual loans secured by real estate in foreign offices (new item 1.f).

- (3) "Replacement cost of past due derivative contracts with a positive replacement cost" (Memorandum item 6.b) was deleted. The caption for new Memorandum item 6.a was revised to read "Fair value of amounts carried as assets".

Schedule HI--Consolidated Income Statement

- (1) The amount of tax-exempt loan and lease income (former items 1.a.(1)(b)(2) and 1.b(2)) were combined into a single item, new Memoranda item 3. Schedule HI, will contain only two items for interest and fee income from loans "In domestic offices" (new item 1.a.(1)), and "In foreign offices, Edge and Agreement subsidiaries, and IBFs" (new item 1.a.(2)). In addition, a new item for income from lease financing receivables (item 1.b) was added.
- (2) The breakout of interest income on balances due from depository institutions in former items 1.c.(1) and 1.c.(2) was replaced by a single item (new item 1.c.).
- (3) The number of categories of income from securities was reduced. Income for the U.S. Treasury securities and U.S. government agency obligations, mortgage-backed securities and all other securities will be reported in item 1.d. In addition, a new item for "Income on tax-exempt securities issued by states and political subdivisions in the U.S." (Memorandum item 4) was added.
- (4) "Interest on borrowed funds" (item 2.c), was re-titled to "Interest on trading liabilities and other borrowed money" and the instructions were clarified to include trading liabilities.
- (5) "Provision for credit losses" (former item 4.a) was revised to include only the provision for loan and lease losses (new

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- item 4). Any provision for credit losses on off-balance-sheet exposures will be reported in "Other noninterest expense" (new item 7.e), and itemized in Memoranda item 7, if it is significant.
- (6) "Provision for allocated transfer risk" (former item 4.b) was deleted. Provision for allocated transfer risk will be reported in "Other noninterest expense" (new item 7.e) and itemized in Memoranda item 7 if it is significant.
 - (7) "Service charges on deposit accounts" (former item 5.b.(1)) was re-titled to "Service charges on deposit accounts in domestic offices" (new item 5.b). "Other service charges, commissions, and fees" (former item 5.b.(2)) and "Service charges, commissions, and fees (other than service charges on deposit accounts" (former Memorandum item 5), were deleted.
 - (8) Several new noninterest income categories were added to income statement, Schedule HI. Two of the new income statement categories represent items, or modifications of items, for which specific preprinted captions appeared in Schedule HI (former Memoranda items 6.a and 6.b). As a result, these items will no longer be reported in the Memoranda section of Schedule HI. The categories of noninterest income that were added are: 5.d. investment banking, advisory, brokerage, and underwriting fees and commissions, 5.e. venture capital revenue, 5.f. net servicing fees, 5.g. net securitization income, 5.h. insurance commissions and fees, 5.i. net gains (losses) on sales of loans, 5.j. net gains (losses) on sales of other real estate owned, and 5.k. net gains (losses) on sales of other assets (excluding securities).
 - (9) "Amortization expense of intangible assets (including goodwill)" (new item 7.c) was added.
 - (10) "Income taxes applicable to gains (losses) on securities not held in trading accounts" (former memorandum item 4) was deleted.
 - (11) The threshold for itemizing significant components of "Other noninterest income" (Memoranda item 6) and "Other noninterest expense" (Memoranda item 7) was changed to 1

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percent of the total of interest income and noninterest income.

- (12) The filing criteria for "Trading revenue" (Memoranda item 9) were revised to require BHCs to complete Memoranda item 9 only if they report a quarterly average for trading assets of \$2 million or more as of the March 31st report date for the current calendar year similar to the reporting revision for new Schedule HC-D, "Trading Assets and Liabilities".

Schedule HI-A-- Changes in Equity Capital

- (1) The manner in which the previous year-end balance of equity capital is reported in this schedule was revised to correspond with GAAP presentation. Prior to these revisions, BHCs reported the "Equity capital end of previous calendar year" in the FR Y-9C in former item 1. If the BHC filed any amendments to the previous year-end FR Y-9C report that affected its originally reported total equity capital, these equity capital adjustments were reported in former item 2, and the amended equity capital balance for the previous year-end were reported in former item 3. Former item 2 was deleted and BHCs now report what was reported in former item 3 as their previous year-end equity capital balance. Therefore, in revised Schedule HI-A, "Equity capital most recently reported for the end of the previous calendar year" will be reported in new item 1. "Cumulative effect of changes in accounting principles from prior years" (former item 11), and "Corrections of material accounting errors from prior years" (former item 12) were combined and designated as "Restatements due to corrections of material accounting errors and changes in accounting principles" (new item 2).
- (2) Change in net unrealized holding gains (losses) on available-for-sale securities" (former item 13.a), "Change in accumulated net gains (losses) on cash flow hedges" (former item 13.b.), and "Foreign currency translation adjustments" (former item 18) were replaced with a single item "Other comprehensive income" (new item 12). This item will also include any minimum pension liability adjustment recognized during the year-to-date in accordance with GAAP, which BHCs have reported elsewhere in Schedule HI-A.

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Schedule HI-B-Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses

- (1) The presentation of loan category information was modified to align with the revised loan schedule (HC-C) by moving the current breakdown of loans secured by real estate from the Memoranda section of Schedule HI-B, item 1, to item 1 of Schedule HI-B, and redefining item 5.a to exclude related plans which will be reported in new item 5.b. Charge-offs and recoveries of loans secured by real estate in foreign offices will be reported separately (new item 1.f).
- (2) The scope of Part II was revised to cover changes in the allowance for loan and lease losses only, rather than the entire allowance for credit losses. In addition, similar to the revisions discussed above for Schedule HI-A, the manner in which the previous year-end balance of the allowance is reported in Schedule HI-B, Part II, was changed to better correspond to GAAP presentation.
- (3) "Foreign currency translation adjustments" (former item 6) was combined with "Adjustments" (new item 5).
- (4) "Credit losses on off-balance-sheet derivative contracts" (former Part II, Memorandum item 1) was re-titled to "Credit losses on derivatives" and moved to Schedule HI, memoranda item 11.

Significant Revisions to the FR Y-9LP for March 2001:***Order of Report Forms***

The presentation order was revised to align with the presentation order on the FR Y-9C. However, the following discussion of revisions follows the order of the forms as they existed as of December 31, 2000.

Schedule PC-Parent Company Only Balance Sheet

- (1) "Allocated transfer risk reserve" (former item 4.f) was deleted from the balance sheet. BHCs will report "Loans,

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net of unearned income" (item 4.c), and "Lease financing receivables, net of unearned income" (item 4.d) net of any allocated transfer risk reserve.

- (2) "Mandatory convertible securities" (former item 15) was deleted. Information on mandatory convertible securities will be included in "Subordinated notes and debentures" (item 16).
- (3) "Net unrealized holding gains (losses) on available-for-sale securities" (former items 20.e), and "Accumulated net gains (losses) on cash flow hedges" (former item 20.f) into a single item, "Accumulated other comprehensive income" (new item 20.e).
- (4) A new item "Other equity capital components" (20.f) was added to the equity capital section of the balance sheet. This item includes treasury stock and unearned Employee Stock Ownership Plan shares, which, under GAAP, are to be reported in a contra-equity account on the balance sheet. Treasury stock (former item 20.g) will no longer be reported separately.

Schedule PI-Parent Company Only Income Statement

- (1) "Provision for credit losses" (former item 2.c.(1)) was revised to include only the provision for loan and lease losses (new item 2.c). Provision for credit losses on off-balance-sheet exposures will be reported in "All other expenses" (item 2.d).
- (2) "Provision for allocated transfer risk" (former item 2.c.(2)) was deleted as a specific income statement item. Provision for allocated transfer risk will be reported in "All other expenses" (item 2.d).

Significant Revisions to the FR Y-11Q for March 2001:

Order of Report Forms

The presentation order was revised to align with the presentation order on the FR Y-9C. However, the following discussion of revisions follows the order of the forms as they existed as of

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December 31, 2000.

Balance Sheet

- (1) "Net unrealized holding gains (losses) on available-for-sale securities" (former item 20.e) and "Accumulated net gains (losses) on cash flow hedges" (former item 20.f) were combined into a single item, "Accumulated other comprehensive income" (new item 20.e).
- (2) A new item "Other equity capital components" (20.f) was added to the equity capital section of the balance sheet. This item includes treasury stock and unearned Employee Stock Ownership Plan shares that, under GAAP, are to be reported in a contra-equity account on the balance sheet. Treasury stock (former item 20.h) will no longer be reported separately.

Memoranda

- (1) Confidential treatment for "Loans and leases past due 30 through 89 days" (Memoranda item 7.a) and "Loans and leases restructured and included in past due and nonaccrual loans" (Memoranda item 7.d) was eliminated. For periods prior to March 31, 2001, data on Memoranda item 7.a and Memoranda item 7.d will not be publicly disclosed on an individual bank holding company basis.
- (2) The scope of "Income earned, not collected on loans" (item 12.a) was expanded to cover all "Accrued interest receivable".

Income Statement

- (1) Several new noninterest income categories were added to those currently collected on the income statement. The categories of noninterest income added as specific items on income statement are: 5.a.(4) investment banking, advisory, brokerage, and underwriting fees and commissions, 5.a.(5) venture capital revenue, 5.a.(6) net servicing fees, 5.a.(7)

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net securitization income, and 5.a.(8) insurance commissions and fees. The former income statement items for "Income from underwriting activities," "Income from brokerage activities," "Income from loan servicing," and "Other service charges, commissions, and fees" (items 5.a. (2), (3), (4) and (6)) were deleted.

Changes in Equity Capital

- (1) The manner in which the previous year-end balance of equity capital is reported in this schedule was revised so that it better corresponds with how this balance is presented in financial statements prepared in accordance with GAAP. Prior to these revisions, the nonbank subsidiaries reported the "Equity capital end of previous calendar year" in former item 1. If the nonbank subsidiary filed any amendments to this previous year-end FR Y-11Q report that affected its originally reported total equity capital, these equity capital adjustments were reported in former item 6. Item 1 has been revised to have nonbank subsidiaries report "Equity capital most recently reported for the end of the previous calendar year."
- (2) "Foreign currency translation adjustments" (former item 18) was replaced with an item for "Other comprehensive income" (new item 5). This new item will include any change in net unrealized holding gains (losses) on available-for-sale securities and any change in accumulated net gains (losses) on cash flow hedges (currently included in item 6, "Other adjustments").