

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

April 3, 2002

TO: The Chief Executive Officer of Each State Member Bank
Located in the Second Federal Reserve District

As part of a joint mailing with other supervisory agencies, state member banks received their Report of Condition and Income materials for the March 31, 2002 report date from the Federal Financial Institutions Examination Council. The completed report must be submitted to this Bank.

Listed below is a brief summary of the changes that affect the Call Reports and are outlined in more detail in the supplementary instructions.

Schedule RC

Federal Funds and Repurchase Agreements

Banks will now disclose their federal funds sold and purchased (in domestic offices) in asset item 3.a and liability item 14.a, respectively. Securities resale agreements will be reported in asset item 3.b, while securities repurchase agreements will be reported in liability item 14.b. However, resale agreement of foreign offices will continue to be reported in Schedule C (Loans).

Overnight Federal Home Loan Bank Advances

Borrowing of Immediately available funds from a Federal Home Loan Bank will be reported in Schedule RC "other borrowed money" (item 16). In addition, overnight Federal Home Loan Bank Advances should be included in Schedule RC-M, "Federal Home Loan Bank advances with a remaining maturity of one year or less" (item 5a.(1)).

Schedule RC-H

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To align with the balance sheet changes listed above items 3 and 4 on Schedule RC-H were revised to exclude federal funds transactions.

Schedule RC-K

Banks with less than \$25 million in total assets filing the FFIEC 041 will now be required to report quarterly averages for total loans and for the following categories of loans:

- Loans secured by real estate
- Commercial and industrial loans
- Credit cards to individuals
- Other consumer loan

Schedule RC-L

The following changes were made to schedule RC-L:

- 1) Four new items were added to capture the gross positive and gross negative fair values of credit derivatives where the bank is guarantor (7.a.(1) and 7.a.(2)) and where the bank is beneficiary (7.b.(1) and 7.b.(2)).
- 2) Two new items are being added to capture merchant credit card sales volume. Item 11.a captures sales for which the reporting bank is the acquiring bank. Item 11.b captures sales for which the reporting bank is the agent bank with risk.

Schedule RC-N

The agencies are splitting the existing items for past due and nonaccrual closed-end loans secured by first mortgages on 1-4 family residential properties (in domestic offices) into separate items for loans secured by first liens and loans secured by junior liens.

In addition, a new memorandum item 5 was added for held-for-sale loans and leases that are past due or in nonaccrual status.

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Schedule RC-O

The memorandum section was expanded to cover both the total deposits in domestic offices of the bank and insured branches in Puerto Rico and U.S. territories and possessions. In addition, memorandum item 2 will now require all banks to report the estimated uninsured portion of their deposits, subject to certain criteria discussed in the revised instructions.

Schedule RC-R

In order to ensure banks are using the proper subtotal to determine whether they have any disallowed assets, existing items 8 and 9 will be renumbered as items 9.a and 9.b and item 8 will become a subtotal. In addition, a new (item 28.a) was added for banks with financial subsidiaries to report adjustments that eliminate those amounts included in Tier 1 capital.

Final Rule on Recourse and Direct Credit Substitutes

The instructions have been revised to include reporting instructions for the implementation of the regulatory capital treatment of recourse arrangements and direct credit substitutes, including residual interest, credit-enhancing interest-only strips, asset-backed and mortgage-backed securities. This final rule took effect on January 1, 2002. Any transactions settled on or after that date are subject to the rule. However, for transactions settled before January 1, 2002 that result in increased capital requirements under the final rule, banks may delay the application of the final rule to those transactions until December 31, 2002.

Schedule RC-T

Large trust institutions with \$250 million in total fiduciary assets or with gross fiduciary and related services income of more than 10 percent of revenue (net interest income plus noninterest income) for the preceding calendar year will be required to report items 4 through 19 for March, June and September quarters.

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Schedule RI

Banks with less than \$25 million in total assets filing the FFIEC 041 will now be required to report a breakdown of their total interest and fee income on loans into six categories:

- Loans secured by real estate
- Commercial and industrial
- Credit cards
- Other consumer loans
- Loans to foreign governments and official institutions
- All other loans

FAS 142

In July 2001, the FASB issued Statement No. 142. Under this standard, goodwill will no longer be amortized but will be tested for impairment annually or more frequently. Other intangible assets will also be tested for impairment in accordance with this new standard and intangible assets with finite lives must be amortized. As a result, the agencies are replacing existing item 7.c with two items: "Goodwill impairment losses" (7.c.(1)) and "Amortization expense and impairment losses for other intangible assets" (7.c.(2)).

Schedule RI-B, Part I

Because of the Schedule N change discussed above, charge-offs and recoveries was revised to report closed-end loans secured by 1-4 family residential properties for both secured first and junior liens.

Schedule RI-B, Part II

On March 26, 2001, the agencies issued *Interagency Guidance on Certain Loans Held-for-Sale* to provide instruction about the appropriate accounting and reporting treatment for certain loans that are sold directly from the loan portfolio or transferred to held-for-sale (HFS) account. To simplify the reporting of these write-downs, the agencies are moving the disclosure directly into Schedule RI-B, part II to the new item 4 "Less: Write-downs arising from transfers of loans to a held-for-sale account".

Report Submission

April 3, 2002

A completed Call Report must be electronically submitted no later than **April 30, 2002**. Earlier submission would aid the Federal Reserve in reviewing and processing the report and is encouraged.

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of the Call Report will be monitored. Any report received after 5:00 p.m. on April 30 will be considered late. Submission of initial data will only be accepted electronically.

The staff of this bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of Avalidity edits.@ Enclosed is a complete (updated for March 2002) set of edits for the Report of Condition and Income that are subject to monitoring program. Please note the updates to ensure your institution meets these edit tests.

Website

Report forms and instructions for the Call Report can also be obtained from the FFIEC internet website at the following address:

www.ffiec.gov/ffiec_report_forms.htm

Copies of this letter and its enclosures have been sent to the report liaison designated by your institution. Any questions about this report may be directed to Richard Crawn, Reports Analyst in the Regulatory Reports Division at (212) 720-7991.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Financial Reports Department