

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

June 29, 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 June 30, 2001

Enclosed are two copies of the following report forms and instructions for the June 30, 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); and
- (4) Quarterly Financial Statements of Nonbank Subsidiaries of Bank Holding Companies (FR Y-11Q).

The FR Y-9C has been revised for June 2001 and the instructions for the FR Y-9LP and FR Y-11Q have also been revised. A summary of significant revisions to the FR Y-9C, FR Y-9LP and FR Y-11Q is included in Attachment I. There are no revisions to the FR Y-9CS for this quarter.

FR Y-9CS Reporting

All bank holding companies that are financial holding companies as of June 30, 2001 and filing the FR Y-9C are required to submit the completed FR Y-9CS with the quarterly FR Y-9C.

Schedule HC-S - Securitization and Asset Sale Activities

Bank holding companies must complete Schedule HC-S, "Securitization and Asset Sale Activities," beginning this quarter. Bank holding companies with subsidiaries that service loans and other financial assets should provide the servicing

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information in Memorandum items 2(a), 2(b), and 2(c) of this schedule even if they are not involved in the other activities covered by Schedule HC-S. For the June 30, 2001 report date only, bank holding companies may provide reasonable estimates for any new or revised item in Schedule HC-S that the requested information is not readily available.

Loans and Leases Held for Sale

On March 26, 2001, the banking agencies issued guidance for accounting and reporting of certain loans held-for-sale (HFS).

The guidance reminds institutions to report those loans at the lower of cost or fair value and to report reductions in the value of loans transferred to HFS through a write-down of the recorded investment to fair value upon transfer. At the same time, there should be a charge to the institution's allowance for loan and lease losses (ALLL).

Accordingly, any reduction in the value of loans transferred to a HFS account should be reported as a charge-off in the appropriate line items in Part I of Schedule HI-B and as an "adjustment" to the ALLL on line item 5 in Part II of this schedule. In addition, Part 2, line item 3, "Less: Charge-offs," should be reported net of such write-downs reported in Part 2, line item 5. The write-down adjustment reported in Part 2, line item 5, should also be reported in footnote 1 (as a negative value) in the "Notes to the Income Statement," as "write-downs arising from transfers of loans to held-for-sale account." This description appears as a preprinted caption on the Notes to the Income Statement of the FR Y-9C.

Subsequent reductions in the value of the HFS should be made using a valuation allowance and should not be charged to ALLL. In addition, loans transferred to a HFS account are continued to be covered by the reporting treatment for past due and nonaccrual treatment loans.

FASB Statement No. 133

FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* is now in effect and must be adopted by bank holding companies. For a summary of Statement No. 133, refer to the Glossary entry for "derivatives contracts." Bank holding companies are encouraged to consult with their outside accountants concerning their implementation of this accounting standard.

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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, August 14, 2001**. Any FR Y-9C, FR Y-9LP, or FR Y-9CS reports received after 5:00 p.m. on August 14th will be considered late unless postmarked by Saturday, August 11th or sent by overnight service by Monday, August 13th.

The submission deadline for the **FR Y-11Q** is **Wednesday, August 29, 2001**. Any FR Y-11Q report received after 5:00 p.m. on August 29th will be considered late unless postmarked by Sunday, August 26th or sent by overnight service by Tuesday, August 28th.

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 tests. 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.

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

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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 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.

In addition, 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.

Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-9CS, 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 Monica Posen, at (212) 720-8239. Questions regarding the capital adequacy guidelines should be directed to Dianne Dobbeck in the Policy and Analysis Department at (212) 720-2610.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Financial Reports Department

ATTACHMENT I

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Significant Revisions to the FR Y-9C Report Form for June 2001:**Schedule HI-B, Part I, Charge-Offs and Recoveries of Loans and Leases**

A footnote was added for "Charge-offs" (Column A), indicating that write-downs from transfers to the loans HFS account should be included in total charge-offs in Column A.

Schedule HI-B, Part II, Changes in Allowance for Loan and Leases Losses

The caption for "Charge-offs," (item 3) is revised to indicate that write-downs of loans associated with transfers or loans in the HFS account are reported in line item 5 as a negative number and charge-offs reported in line item 3 are reported net of the write-downs reported in line item 5.

Notes to the Income Statement

Footnote 1 has been designated for the reporting of write-downs arising from the transfer of loans to the HFS account. No other amount should be reported in footnote 1. The amount of such write-downs should be reported as a negative value (i.e., in parentheses).

Schedule HC-R, Regulatory Capital

"Net unrealized gains(losses) on available-for-sale securities" (item 2), "Net unrealized loss on available-for-sale equity securities" (item 3), and "Accumulated net gains (losses) on cash flow hedges" (item 4), were revised to clarify the proper reporting of gains and losses. Net gains reported in line items 2 and 4 (for net unrealized gains on available-for-sale securities, and accumulated net gains on cash flow hedges, respectively) should be reported as **positive** values while net losses in line items 2 and 4 should be reported as **negative** values.

FR Y-9LP

There were no revisions to the report form for the June 30, 2001 reporting date.

FR Y-11Q

There were no revisions to the report form for the June 30, 2001

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reporting date.

Significant Revisions to the FR Y-9C Instructions for June 2001:

Schedule HI-B, Part 1, Charge-offs and Recoveries of Loans and Leases

The instructions were revised to indicate that write-downs arising from transfers of loans to the HFS account should be included in total charge-offs in Column A, and charged against the ALLL initial transfer.

Schedule HI-B, Part 2, Changes in the Allowance for Loan and Lease Losses

The instructions for "Charge-offs" (item 3), and "Adjustments" (item 5) were revised. Respondents who have had write-downs of loans associated with transfers of loans to a HFS account are to report such write-downs in line item 5 as a negative number, and are to report charge-offs in line item 3 net of the write-downs reported in line item 5. In addition, respondents must report the amount of such write-downs (as a negative value) in the Notes to the Income Statement, footnote 1.

Schedule HC-C, Loan and Lease Financing Receivables

The instructions for "Secured by 1-4 family residential properties" item 1(c), has been revised to indicate that loans secured by vacant lots in established single-family residential areas should be excluded from this item, and reported on "Construction, land development, and other land loans" (item 1(a)).

Schedule HC-F - Other Assets

The instructions for "Accrued interest receivable," (item 1) and "Other" (item 5) were revised to allow the option of reporting accrued interest on securities purchased in either of these line items, consistent with the institution's public financial reports.

Schedule HC-G - Other Liabilities

The instructions for "Other" (item 4), has been expanded to

include the reporting of additional items.

Schedule HC-R - Regulatory Capital

1. The worksheet calculations for "Disallowed servicing assets and purchased credit card relationships," (item 8) and "Disallowed deferred tax assets," (item 9) have been revised. The first step of each worksheet has been revised in order to clarify the summation of the core capital elements used in determining the initial limits for each calculation. In addition, the worksheet for line item 8 was updated to reflect the "haircuts" required for servicing assets and purchased credit card relationships.
2. The instructions for "Unused commitments with an original maturity exceeding one year," (item 53) were updated to indicate the revolving underwriting facilities (RUFs) and note issuance facilities (NIFs), should be reported in column A of this line item. In addition, the risk weight for column B was revised to 50 percent from 100 percent.

Schedule HC-S - Securitization and Asset Sale Activity

1. The instructions for "Maximum amount of credit exposures arising from credit enhancements provided by the reporting institution to other institutions' securitization structures in the form of standby letters of credit, purchased subordinated securities, and other enhancements," (item 9) have been updated to indicate that credit exposures arising from credit enhancements provided by asset-backed commercial paper conduits should be excluded from this line item and reported in Memorandum item 3(a).
2. The instructions to "Reporting institution's unused commitments to provide liquidity to other institutions' securitization structures," (item 10) have been revised to indicate that unused commitments to provide liquidity to asset-back commercial paper conduits should be excluded from the line item and reported in Memorandum item 3(b).

Glossary

The significant revisions to the Glossary include:

1. Incorporating provisions of Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*;

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2. Updates to reflect provisions of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*; and
3. Several new glossary entries (e.g., foreign debt exchange transactions and sale of assets for risk-based capital purposes).

Significant Revisions to the FR Y-11Q Instructions for June 2001:**Who Must Report**

The general instructions has been revised to clarify that any organization in which shares have been acquired directly or indirectly, by a financial holding company under section 4(k)(4) of the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act, domiciled outside of the United States, should file the FR 2314. Any organization domiciled in the United States that is acquired by a financial holding company should file either the FR Y-11Q or FR Y-11I pursuant to the reporting threshold requirements for these reports.

Balance Sheet

1. The instructions for "All other assets" (item 10) and "Balances due from bank holding company" (item 11(a)) were revised to indicate that "special purpose" subsidiaries (e.g., a special purpose business trust subsidiary that issues trust preferred securities to investors) should report loans made to the parent bank holding company from the proceeds from the issuance of these securities in "Balances due from bank holding company" (item 11 (a)). These loans should be excluded from "All other assets" (item 10).
2. "Charge-offs" (Memorandum Line item 8.a) was revised to state that write-downs arising from the transfers of loans to a HFS account should be included as charge-offs in this line item.