

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

September 30, 2000

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 September 30, 2000

Enclosed are two copies of the following report forms and instructions for the September 30, 2000 reporting date:

- C The Consolidated Financial Statements for Bank Holding Companies (FR Y-9C);
- C The Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP); and
- C The Quarterly Financial Statements of Nonbank Subsidiaries of Bank Holding Companies (FR Y-11Q).

We have also enclosed the optional worksheets to compute risk-based capital ratios for the consolidated bank holding company.

Supplemental instructions concerning accounting and reporting issues affecting the FR Y-9C report are included in Attachment I. There are no revisions either to the FR Y-9C, FR Y-9LP, and FR Y-11Q report forms or instructions. There is a minor revision to the FR Y-9CS report form and instructions which are summarized in Attachment II.

Starting with the December 31, 2000, reporting period we will be able to send you this letter electronically. Please send a fax indicating if you no longer wish to receive the reports and instructions and would like us to send you this

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quarterly letter electronic to 212-720-2478.

Reporting Revisions for Year 2000

The passage of the Gramm-Leach-Bliley Act (GLBA) during the fourth quarter of 1999 permits qualified bank holding companies to elect to become financial holding companies and to engage in expanded financial activities. Financial holding companies are required to continue to comply with the Federal Reserve's reporting requirements. Financial holding companies that meet the reporting requirements of either the FR Y-9C or the FR Y-9SP must continue to file these reports.

In addition, on an interim basis, all financial holding companies filing the FR Y-9C or FR Y-9SP reports will be required to complete the FR Y-9CS, *Supplement to the Consolidated Financial Statements for Bank Holding Companies*, and submit this supplement with either the quarterly FR Y-9C report or the semiannual FR Y-9SP report. In a multi-tiered organization, that includes one or more financial holding companies, only the top-tier bank holding company that files the FR Y-9C is required to file the FR Y-9CS as of the September 30, 2000 reporting date.

The FR Y-9CS supplement is intended to be a temporary report while the Federal Reserve reviews its regulatory reporting requirements and makes any necessary revisions in light of the new legislation. The information requested on the FR Y-9CS may change from one reporting period to another. However, the Federal Reserve will make every effort to notify financial holding companies in a timely manner when revisions are anticipated. The FR Y-9CS has been revised for the third quarter to clarify the reporting requirements for broker-dealer subsidiaries operating under the expanded powers allowed by the GLBA and for the reporting of merchant banking investments. **Please note that if you are not an FHC, you should not file a FR Y-9CS report.**

Reports Submission

An original and two copies (one-sided) of each completed

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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 and FR Y-9LP** reports is **Tuesday, November 14, 2000**. Any FR Y-9C or FR Y-9LP reports received after 5:00 p.m. on November 14 will be considered late unless postmarked by Saturday, November 11 or sent by overnight service by Monday, November 13.

The submission deadline for the **FR Y-11Q** report is **Wednesday, November 29, 2000**. Any FR Y-11Q reports received later than 5:00 p.m. on November 29 will be considered late unless postmarked by Sunday, November 26 or sent by overnight service by Tuesday, November 28.

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, 6th 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 **A**validity edits.@ Enclosed are the updates to the monitoring edits. Please note the 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 the FR Y-9C reports. Please refer to Attachment II for a listing of these edits.

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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, and FR Y-11I reports electronically. Any bank holding company interested in submitting these reports electronically should contact Carrie Mitchell, at (212) 720-8027 for information concerning the procedure for electronic transmission. Bank holding companies choosing to submit these reports electronically must maintain in their files a manually signed and attested 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.

Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-9CS, and FR Y-11Q can also be obtained from the Federal Reserve Board of Governors internet website at the following address: **www.federalreserve.gov/boarddocs/reportforms**.

Questions regarding these reports should be directed to Ms. Mitchell at (212) 720-8027 or Meredith Miske, Team Leader in the Regulatory Reports Division at (212) 720-1409. Questions regarding capital adequacy guidelines should be directed to Diane Dobbeck in the Bank Analysis Department at (212) 720-2610.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Financial Reports Department

ATTACHMENT I

FASB Statement No. 133

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under Statement No. 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.

Statement No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Earlier application of **all** of the provisions of this statement is encouraged by the FASB. Statement No. 133 contains further guidance on the initial application of this accounting standard. Piecemeal adoption of Statement No. 133 is not permitted. Bank

holding companies must adopt Statement No. 133 for FR Y-9C report purposes upon its effective date. Early application is permitted in the FR Y-9C report in accordance with the transition guidance in Statement No. 133. Bank holding companies are encouraged to consult with their outside accountants as they plan to implement this new standard.

After a bank holding company adopts Statement No. 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 on the balance sheet (Schedule HC) in item 11, "Other assets." Those held for purposes other than trading that have negative fair values should be included in the balance sheet (Schedule HC) in item 23, "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 Part II of Schedule HC-B, 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 27(f). The year-to-date change in these accumulated net gains (losses) on cash flow hedges should be reported in the changes in equity capital schedule (Schedule HI-A) in item 13(b). Any transaction adjustments at the date of initial application of Statement No. 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 Statement No. 133.

The transition provisions of Statement No. 133 provide that at the date of initial application, 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 in the future. The transition provisions further require that the unrealized gain (loss) on a transferred held-to-maturity debt security be reported as part of the cumulative-effect-type adjustment of net income if transferred to the trading category or as part of the 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 as of the date of adoption of Statement No. 133 and sold in the same fiscal quarter should have been transferred to the trading category, not the available-for-sale category. Thus, any unrealized gain (loss) on the security that exists on the date of transfer would be reported in the FR Y-9C report income statement in Schedule HI, item 12, "Extraordinary items, net of applicable taxes and minority interest," and would not be included in the gain (loss) on the sale of the security in Schedule HI, item 6.b, "Realized gains (losses) on available-for-sale securities."

ATTACHMENT II

Revisions to the FR Y-9CS for September 2000

1) Revised "Broker-Dealer subsidiaries engaged in underwriting or dealing in bank-ineligible securities" (Line 1) to "Broker-Dealer subsidiaries engaged in underwriting and dealing securities pursuant to Section 4(k)(4)(E) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act (Line 1).

ATTACHMENT III

Interseries Edits

- 1) FR Y-9LP, line PC-20h should equal FR Y-9C, line HC-27i.
- 2) FR Y-9LP, line PI-8 should equal FR Y-9C, line HI-13.
- 3) FR Y-9LP, line PC-20e should equal FR Y-9C, line HC-27e.
- 4) FR Y-9LP, line PC-16 should be less than FR Y-9C, line HC-21.

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