

**Annual  
State Member Bank/  
Bank Holding Company  
Presentation  
2004**

Federal Reserve Bank of New York  
March 18, 2004

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**Trust Preferred Securities  
(TRUPs)**

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March 18, 2004

Disclaimer: The views herein are my own and do not necessarily reflect those of the Federal Reserve or other members of its staff.

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## Regulatory Capital

$$\text{RBC ratios} = \frac{\text{Capital (Tier 1, Tier 2)}}{\text{Risk-weighted Assets}}$$

- TRUPs form a part of Tier 1 capital for BHCs only, subject to limit

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## Supervisory Guidance

- October 1996 FRS press release
- U.S. Capital adequacy guidelines
- Y-9C instructions, schedule HC-R
- SR Letter 02-10 on hedging of interest rate risk on TRUPs
- SR Letter 03-13 on instructions for reporting for TRUPs in FR Y-9C

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## FRBNY Review Process

- Policy staff in consultation with CPCs / relationship specialists review:
  - Indenture and other deal documentation;
  - Pro-forma impact of issuance on capital ratios;
  - TRUPs as a percentage of Tier 1 core capital;
  - Financial condition of institution.
- Follow-up discussions with BHC management

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## Capital Recognition of TRUPs

- **Long-dated Maturity** -- 30 years or more
- **Deferral of cumulative interest payments**
  - Must be able to defer payments for up to 5 consecutive years without triggering default event
  - Cannot accelerate principal during deferral period
- **Redemption subject to FRS approval**
- **Subordination** -- junior note must be subordinated to other debt of BHC

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## **Recognition of TRUPs (cont)**

- TRUPs permitted in Tier 1 capital of BHCs, subject to 25% limit
- Limit is a function of BHC's core capital
  - Core capital elements defined as the aggregate of the components of Tier 1 prior to required deductions
  - May fluctuate over time (e.g., changes in retained earnings), particularly if BHC experiences losses
- Internationally-active BHCs strongly encouraged to limit TRUPs to 15% limit of core capital

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## **Frequently Asked Questions**

- Does a BHC need to contact its Reserve Bank prior to issuing or redeeming TRUPs?
- May BHC management contact FRBNY directly or must interaction take place through legal counsel?
- What are the potential consequences of issuing TRUPs without having consulted with the Reserve Bank beforehand?
- Are TRUPs eligible for inclusion in BHC's Tier 1 once a call notice has been issued?

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# FASB Interpretation No. 46

## Consolidation of Variable Interest Entities

Michael Tursi  
Statistics Function  
March 18, 2004

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# FASB Interpretation No. 46

## **FIN 46**

Need for Guidance  
Definitions  
When to Determine to Consolidate  
Consolidation

## **Call Report Instructions**

Consolidation under FAS 141  
Line-by-Line Consolidation

## **FIN 46(R)**

Effective Date and Transition  
Mutual Funds/Trust Arrangements  
Design of Ownership  
Recognition of Goodwill

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## Need for Guidance

- Transactions involving special purpose entities (“SPEs”) have become increasingly common.
- The relevant accounting literature was fragmented and incomplete
- ARB 51 - Focuses on **controlling financial interest** for consolidation in F/S
- Previously was applied to subsidiaries where the reporting entity has a majority voting interest.
- However, in many circumstances the entity’s consolidated F/S do not include SPEs even if the entity controls the SPE.

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## Need for Guidance

- Therefore, the voting interest approach is not effective in identifying if an SPE should be consolidated.
- Prior to FIN 46, FASB concluded that if a business enterprise has a controlling financial interest in an SPE, the assets, liabilities and results of the activities of the SPE should be included in the consolidated F/S.

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## Definitions

- **Variable Interest Entity (“VIE”)**
  - FASB originally used special-purpose entities (“SPE”) to refer to entities subject to the requirements of FASB Interpretation (“FIN”) No. 46 and substantive operating enterprises to describe stand alone entities.
  - Terminology confused many.
  - Replaced the term with VIE.

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## Definitions

- **VIEs exist when any of the following conditions exist:**
  1. The total equity investment at risk is not sufficient to permit the entity to finance its activities without subordinated financial support from other parties. That is, the equity investment at risk is not greater than expected losses of the entity.
    - The total equity investment at risk includes only equity investments in the entity that participate significantly in profit and losses even if those investments do not carry voting rights.

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## Definitions

2. As a group the holders of the equity investment at risk **lack any one** of the following three characteristics of a controlling financial interest:

- (1) The direct or indirect ability to make decisions about an entity's activities through voting rights or similar rights.
- (2) The obligation to absorb the expected losses of the entity if they occur.
- (3) The right to receive the expected residual returns of the entity if they occur.

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## Definitions

- **Variable Interests**

- Are contractual, ownership, or other financial interests in an entity that changes with the entity's net asset value.
- The investments or other interests that will absorb portions of a VIE's expected losses if they occur or receive portions of the entity's expected residual returns.
- Equity interests (with or without voting rights) are variable interests if the entity is a VIE

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## Definitions

- **Variable Interests (continued)**

- Examples of variable interests
  - loans or debt securities
  - guarantees
  - residual interest in transferred assets
  - management contracts
  - service contracts
  - leases
  - some derivatives

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## Definitions

- **Primary Beneficiary**

- The primary beneficiary provides significant financial support to a VIE and benefits from its activities.
- The Primary Beneficiary consolidates the VIE .

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## Definitions

- **Expected Losses and Expected Residual Returns**
  - amounts derived from expected cash flows.
  - expected losses and expected residual returns are amounts discounted or otherwise adjusted for market factors and assumptions rather than to undiscounted cash flow estimates.
  - described in FASB Concepts Statement No. 7, “Using Cash Flow Information and Present Value in Accounting Measurements.”

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## Definitions

- **Expected Losses and Expected Residual Returns**
  - Paragraph 8 of FIN 46 specifies that the following amounts are to be considered in determining expected losses and expected residual returns of a VIE:
    - (a) the expected variability in the entity’s net income or loss.
    - (b) the expected variability in the fair value of the entity’s assets.

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## Definitions

- **Expected Losses and Expected Residual Returns**
  - (c) fees to the decision maker (if there is a decision maker)
  - (d) fees to the providers of guarantees of the values of all or substantially all of the entity's assets and providers of guarantees that all or substantially all of the entity's liabilities will be paid.

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## When to Determine to Consolidate

- The initial determination of whether an entity is a VIE shall be made on the date at which an enterprise becomes involved with the entity.

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## When to Determine to Consolidate

- The initial determination of whether an entity is a VIE shall be reconsidered only if one or more of the following trigger events occur:
  - The entity's governing documents or the contractual arrangements among the parties involved change.
  - The equity investment or some part thereof is returned to the investors, and other parties become exposed to expected losses.
  - The entity undertakes additional activities or acquires additional assets that increase the entity's expected losses.

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## Consolidation

- An enterprise shall consolidate a VIE if that enterprise has a variable interest (or combination of variable interests)
  - that will absorb a majority of the entity's expected losses if they occur,
  - receive a majority of the entity's expected residual returns if they occur, or both

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## Consolidation

- A direct or indirect ability to make decisions that significantly affect the results of the activities of a VIE is a strong indication that an enterprise has one or both of the characteristics that would require consolidation of the VIE

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## FIN 46(R) - Effective Date and Transition

- Enterprises shall disclose the following interim information before adopting FIN 46(R) in all financial statements initially issued after December 31, 2003, regardless of the date on which the VIE was created:
  - a The nature, purpose, size, and activities of the VIE.
  - b The enterprise's maximum exposure to loss as a result of its involvement with the VIE.

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## FIN 46(R) - Effective Date and Transition

- A public entity that is not a small business issuer - no later than the end of the first reporting period that ends after March 15, 2004.
- A public entity that is a small business issuer - no later than the end of the first reporting period that ends after December 15, 2004.
- A nonpublic entity, that has VIEs created after December 31, 2003, shall apply FIN 46 immediately.
- A nonpublic entity shall apply FIN 46 to all entities by the beginning of the first annual period beginning after December 15, 2004.

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## FIN 46(R) - Mutual Funds/Trust Arrangements

- Exception provided to mutual funds in the form of trusts and trusts of a bank's trust department unless used by the enterprise to circumvent FIN 46(R).

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## FIN 46(R) - Design of Ownership Changes

- Whenever the design of an entity or ownership interests change, the determination of VIE status must be reconsidered.

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## FIN 46(R) - Recognition of Goodwill

- Requires that an enterprise recognize goodwill if it becomes the primary beneficiary of a VIE that is a business.

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## Definition of a Subsidiary

- For the purposes of defining the nonbank subsidiary reports (FR 2314, FR Y-11) the Regulation Y definition of subsidiary is used.
- As defined by 225.2 of Regulation Y, a subsidiary generally includes:
  - companies 25% or more owned or controlled by another company
  - companies that control in any manner the election of a majority of the Board of Directors of another company
  - companies that have a controlling interest over another company.
- Controlling interest used in FIN 46 is generally defined in terms of non-voting interest, which is not covered in Reg Y's definition of a subsidiary.

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## Call Report Instructions - Initial Measurement

- The primary beneficiary should follow the guidance specified in paragraphs 43, 44 and 45 of FAS 141, *Business Combinations*, when consolidating the VIE, as if the initial consolidation had resulted from a business combination.
  - Excess of the fair value of newly consolidated assets over consideration paid should be reported as a pro rata adjustment to amounts assigned to newly consolidated long-term assets. If any excess remains after reducing the long-term assets to zero, it should be reported as an extraordinary item.
  - Excess of the consideration paid and other factors over the fair value of the newly consolidated assets is to be reported as goodwill in the period in which the enterprise becomes a primary beneficiary.

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## Call Report Instructions

- Line-by-line consolidation (asset and liabilities accounts are reported as part of the bank in the same manner if the conduit was reported as a separate entity, equity and intercompany accounts are eliminated in consolidation).

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## March 2004 BHC Report Changes

Monica Posen  
Statistics Function  
March 18, 2004

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## Voluntary Advance Collection of Summary FR Y-9C Data

- Key items from selected institutions of up to 50 of the largest BHCs
- Various schedules on the FR Y-9C
- Collected after each BHC has issued their quarterly press release

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## Schedule HC-Balance Sheet

- Revise the definition of “Other Liabilities” (item 20) to include trust preferred securities
- Revise the definition of “Minority interest in consolidated subsidiaries and similar items” (item 22) to exclude trust preferred securities

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## Schedule HC-G, Other Liabilities

- Revise the definition of “Other” (item 4) to include trust preferred securities

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## Schedule HC-M, Memoranda

- Add Memoranda Item 22 for BHCs to disclose the URL for the reporting BHC’s web page that displays risk disclosures
- Will help to increase public awareness and accessibility to this information

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## Schedule HC-R, Regulatory Capital

- Renumber item 6, “Qualifying minority interests in consolidated subsidiaries as 6.a. Add a new item 6.b, “Qualifying trust preferred securities”
- Eliminate the caption for memoranda item 3.a, “Perpetual preferred stock eligible for inclusion in Tier 1 capital” and revise the caption for memoranda item 3 to “Preferred stock (including related surplus) eligible for inclusion in Tier 1 capital:”
- Renumber memoranda item 3.a (1) as 3.a and revise the caption to read “Noncumulative perpetual preferred stock (included and reported in “Total equity capital, on Schedule HC)”
- Renumber memoranda item 3.a (2) as 3.b and revise the caption to read “Cumulative perpetual preferred stock (included and reported in “Total equity capital, on Schedule HC)”

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## Schedule HC-R, Regulatory Capital

- Revise current memoranda item 3.b, “Cumulative preferred stock (e.g., trust preferred securities) included and reported in “Minority interest in consolidated subsidiaries and similar items” on Schedule HC” and renumber it to 3.d
- The revised caption would read “Other cumulative preferred stock eligible for inclusion in Tier 1 capital (e.g., trust preferred securities) (included in Schedule HC, item 20 or 22)”
  - Includes TRUPS eligible for Tier 1 capital that are issued by a special purpose subsidiary for which the BHC is the sole common shareholder and that is reflected in Schedule HC, item 20
  - Includes other cumulative preferred stock included in Schedule HC, item 22

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## Schedule HC-R, Regulatory Capital

- Add a new memoranda item 3.c, “Other noncumulative preferred stock eligible for inclusion in Tier 1 capital (e.g., REIT preferred securities) included in Schedule HC, item 22”
  - This item will collect information on REIT preferred securities
  - Qualifying REIT preferred securities may be included in bank Tier 1 capital with a limit of up to 25 percent of Tier 1

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## Accelerated Time Schedule

- Top Tier BHC, FR Y-9C and FR Y-9LP
  - December reports remain at 45 days
  - June 2004, September 2004, March 2005: 40 days
  - June 2005 and thereafter: 35 days
- Lower Tier BHC, FR Y-9C, FR Y-9LP and FRY-9SP
  - Remain at 45 days
- FR Y-9ES
  - Remains due July 31

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## March 2004 Call Report Changes

- Accelerated time schedule
  - For banks with more than one foreign office: filing deadline reduced from 45 days to 40 days starting with June 2004 Call Report and to 35 days starting with the June 2005 Call Report.
  - For all other banks, the filing deadline will remain 30 calendar days
- Creation of a supplement to allow for the collection of data in the event of an immediate and critical need

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## Reporting Topics

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## Reporting of Credit Reserves Related to Off-Balance Sheet Contracts

- Do not include allowance for credit losses on off-balance sheet credit exposures in allowance for loan and lease losses
  - Should be accrued and reported as liabilities in Schedule G, item 3, “Allowance for credit losses on off-balance sheet credit exposures.”
  - Credit losses related to derivative instruments or other financial instruments carried at fair value should be reflected in the fair value of the derivative
  - For risk-based capital purposes, the “Allowance for credit losses on off-balance sheet credit exposures” is combined with the “Allowance for loan and lease losses” and the total of these two allowance is included in Tier 2 capital up to the prescribed limitations

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## Regulatory Capital Treatment for Credit Derivatives

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Credit Derivatives Held in Trading Account &  
Credit Derivatives in the Banking Book NOT  
MEETING Definition of Derivative Under FAS 133

- Credit derivatives held in the trading account that are financial guarantees are reported in Schedule R, “All other off-balance sheet liabilities” (Line 52)
- Credit derivatives that are held for trading are reported on the balance sheet as a trading asset.
  - Should be reported on Schedule R in “Trading assets” (Line 41), “Items not subject to risk-weighting” (Column B)

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Credit Derivatives Reported in the Banking Book  
MEETING Definition of Derivative Under FAS 133

- The notional amount of credit derivatives is reported in “Derivative contracts” (Line 54)
- Also reported in “Current credit exposure across all derivative contracts covered by the risk-based capital standards” (Memoranda 1) and “Notional principal amounts of derivative contracts” (Memoranda 2)
  - Using the equity add-on factor if the reference asset is investment grade
  - Using the commodity add-on factor if the reference asset is not investment grade
- If the credit derivative is held in the banking book and meets the definition of derivative, the amount reported on the balance sheet should also be reported on Schedule R in the appropriate line item necessary to foot to the balance sheet. Amount should be placed in “Items not subject to risk-weighting” (Column B)

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## BHCs Subject to the Market Risk Rule

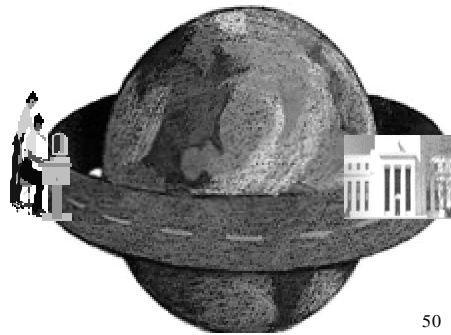
- A risk-based capital charge for general market risk must be computed for credit derivatives in the trading account
  - The credit derivative is reported in “Trading assets” (Line 41) in “Items not subject to risk-weighting” (Column B)
  - The actual capital charge is included in “Market risk equivalent assets” (Line 58)
- A capital charge for specific risk must be held through the VaR capital charge if an institution has an approved model, or a specific risk add-on must be computed
- A credit risk add-on must be computed and reflected in “Derivative contracts” (Line 54) and in Memoranda 1 and Memoranda 2 using the equity add on factor if the reference asset is investment grade or the commodity add-on fact if the reference asset is not investment grade

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## BHC Report Modernization

March 18, 2004

Howard Brickman



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## What Is BHC Report Modernization?

- Respondents must submit FR Y-9C, LP, SP and ES financial data to the Federal Reserve either error-free or with an accompanying edit explanation for each edit failure.
- Effective with the September 30, 2004 Y-9C and LP and the December 31, 2004 Y-9SP and ES.

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## Report Submission

Via IESUB (initial and revised)

- Data Entry
- File Transfer

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## Security

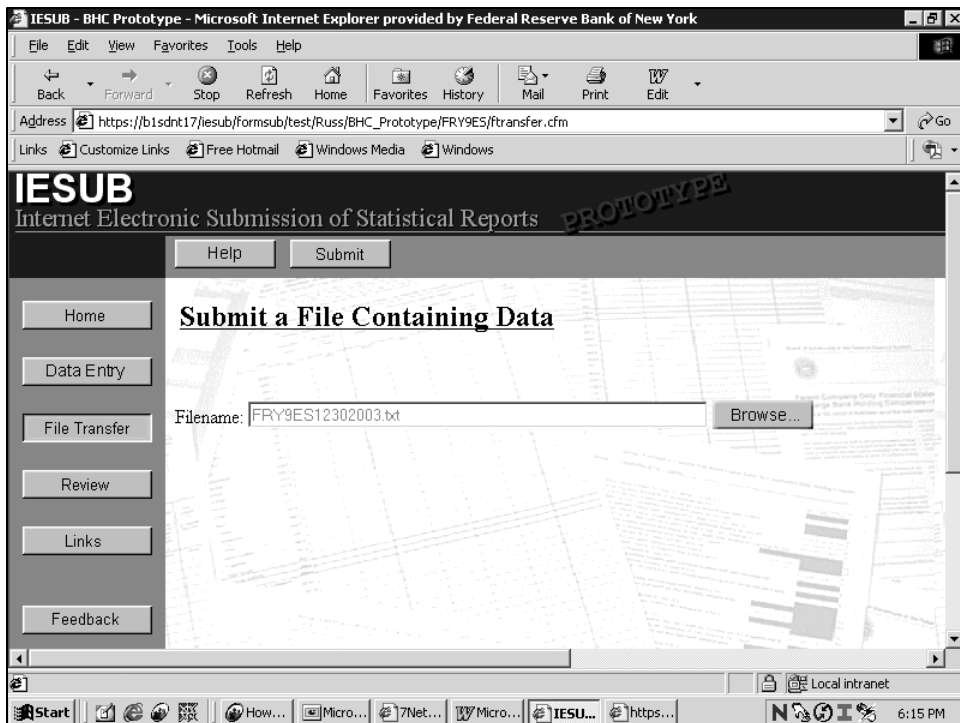
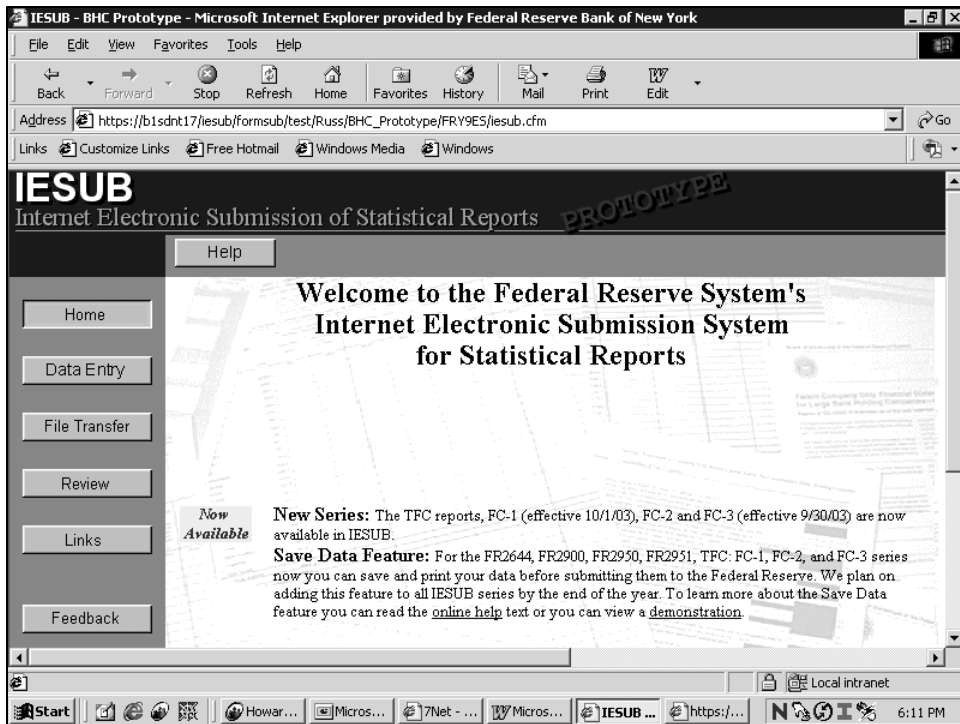
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- Server-side Certificate

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## BHC Report Modernization Demonstration



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**FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies**  
**For 0123456789 -- IESUB BHC Test Bank**  
**This is New Data for 12/31/2003**

Report at the close of business as of the last calendar day in December

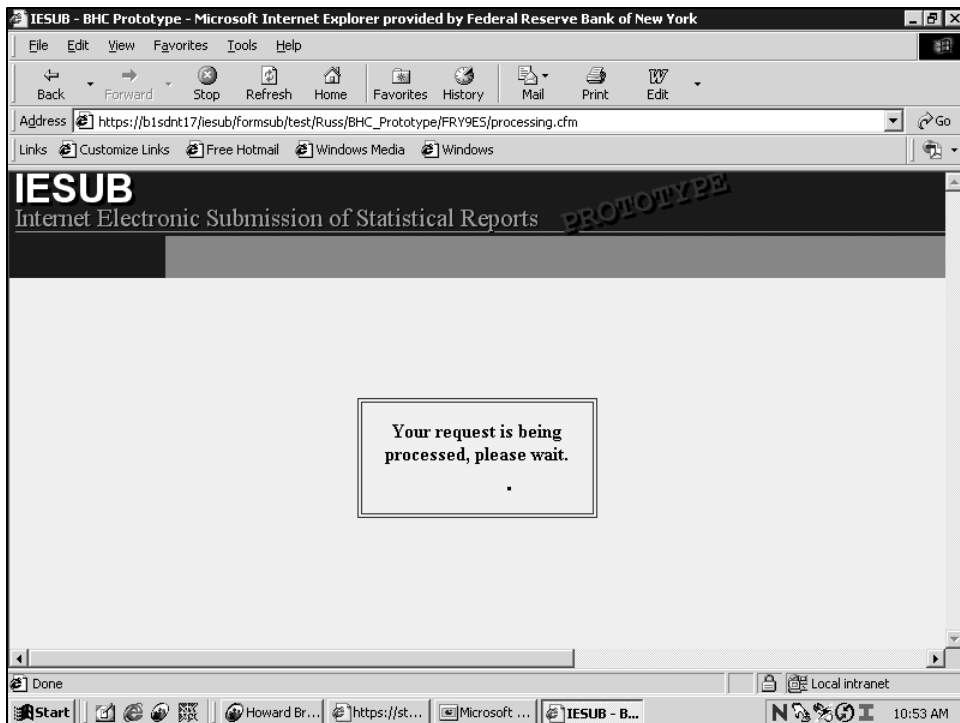
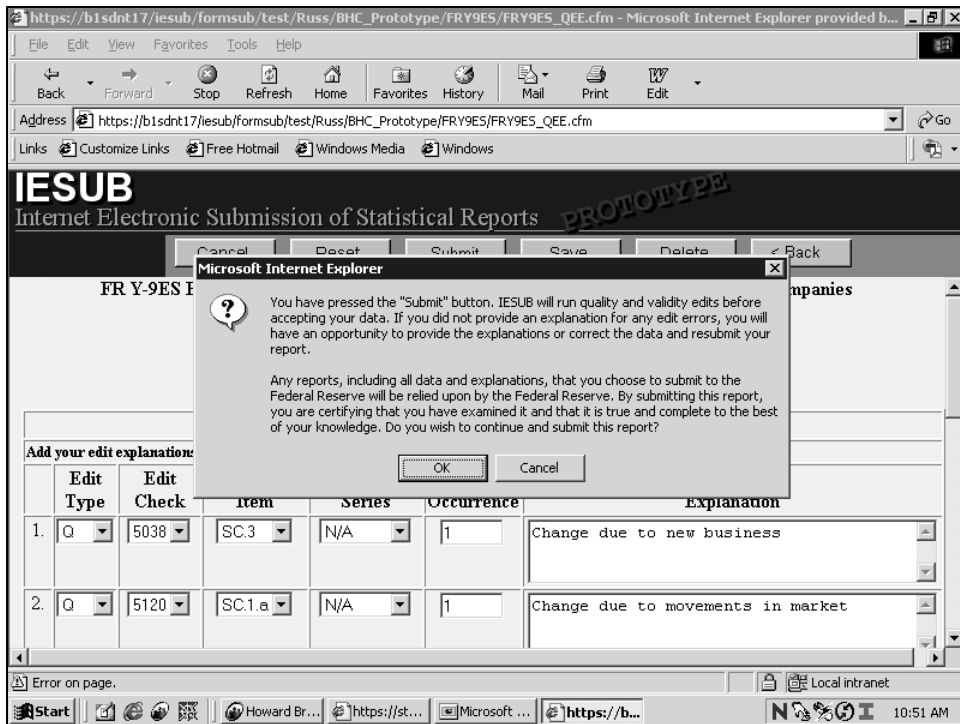
**Edit Explanations**

Add your edit explanations below:

	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
1.	Q	5038	SC.3	N/A	1	Change due to new business
2.	Q	5120	SC.1.a	N/A	1	Change due to movements in market

Error on page. Local intranet

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Address [https://b1sdnt17/iesub/formsub/test/Russ/BHC\\_Prototype/FRY9ES/FRY9ES\\_report.cfm?reportType=6](https://b1sdnt17/iesub/formsub/test/Russ/BHC_Prototype/FRY9ES/FRY9ES_report.cfm?reportType=6) Go

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FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies

**Microsoft Internet Explorer**

Your report was saved but not accepted.  
There was a mismatch between the edit explanations submitted and the edit failures detected.

OK

View Saved Data | View Edit Error Report

**Edit Explanations Error Report**

The following edit explanations are not required for this report:

Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
Q	5038	SC.3	N/A	1	Change due to new business
Q	5120	SC.1.a	N/A	1	Change due to movements in market

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FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies

For 0123456789 -- IESUB BHC Test Bank

This is UNACCEPTED Data for 12/31/2003

Submitted and saved on 03/08/2004 at 11:46 AM

View Saved Data | View Edit Error Report | View Both Reports

**Edit Explanations Error Report**

The following edit explanations are not required for this report:

Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
Q	5038	SC.3	N/A	1	Change due to new business
Q	5120	SC.1.a	N/A	1	Change due to movements in market

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View Saved Data | View Edit Error Report | View Both Reports

**Edit Explanations Error Report**

The following edit explanations are not required for this report:

Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
Q	5038	SC.3	N/A	1	Change due to new business
Q	5120	SC.1.a	N/A	1	Change due to movements in market

The following edit failures require explanations:

Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
IFHL-2a2 is greater than \$10K, then HD-13b2 should be greater than zero.					
Q	5750	SB.2.a	N/A	1	
Sum of NIS-P3, NIS-P5 and NIS-P6 minus the sum of NIS-P4 and NIS-P7 should equal NIS-P8.					
Q	5695	SB.2.b	N/A	1	

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Start Howard Brickm... Microsoft Powe... IESUB - BHC P... PrintKey 2000 ... 11:47 AM

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Address [https://b1sdnt17/iesub/formsub/test/Russ/BHC\\_Prototype/FRY9ES/FRY9ES\\_report.cfm?reportType=12&link=1](https://b1sdnt17/iesub/formsub/test/Russ/BHC_Prototype/FRY9ES/FRY9ES_report.cfm?reportType=12&link=1) Go

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**IESUB**  
Internet Electronic Submission of Statistical Reports

Done Help

**FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies**  
For 0123456789 -- IESUB BHC Test Bank  
This is UNACCEPTED Data for 12/31/2003  
Submitted and saved on 03/08/2004 at 11:47 AM

View Saved Data | View Edit Error Report | View Both Reports

**Cover Information**

**Bank Holding Company Information:**

Legal Title of ESOP BHC	IESUB BHC Test Bank
(Mailing Address of the ESOP BHC) Street/P.O. Box	55 Maiden Lane
	City New York State NY Zip Code 01234

**Person to whom questions about this report should be directed:**

Done Local intranet

Start Howard Brickm... Microsoft Powe... IESUB - BHC P... PrintKey 2000 ... 11:47 AM

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# IESUB

Internet Electronic Submission of Statistical Reports

Help

Home

Data Entry

File Transfer

Review

Links

Feedback

## Welcome to the Federal Reserve System's Internet Electronic Submission System for Statistical Reports

**Now Available**

**New Series:** The TFC reports, FC-1 (effective 10/1/03), FC-2 and FC-3 (effective 9/30/03) are now available in IESUB.

**Save Data Feature:** For the FR2644, FR2900, FR2950, FR2951, TFC: FC-1, FC-2, and FC-3 series now you can save and print your data before submitting them to the Federal Reserve. We plan on adding this feature to all IESUB series by the end of the year. To learn more about the Save Data feature you can read the [online help](#) text or you can view a [demonstration](#).

Local intranet

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# IESUB

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Cancel Reset Next > Save Delete

**FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies**  
**For 0123456789 -- IESUB BHC Test Bank**  
**This is UNACCEPTED Data for 12/31/2003**  
**Submitted and saved on 03/08/2004 at 11:48 AM**

**Report at the close of business as of the last calendar day in December**

**Cover Information**

**Bank Holding Company Information:**

Legal Title of ESOP BHC	IESUB BHC Test Bank
(Mailing Address of the ESOP BHC) Street/P.O. Box	55 Maiden Lane
City	New York
State	NY
Zip Code	01234

**Person to whom questions about this report should be directed:**

Name/Title	John Smith/Manager, Statistical Reporting
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Done Local intranet

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**FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies**  
**For 0123456789 -- IESUB BHC Test Bank**  
**This is UNACCEPTED Data for 12/31/2003**  
**Submitted and saved on 03/08/2004 at 11:49 AM**

Report at the close of business as of the last calendar day in December

**Edit Explanations**

The following Edit Explanations are not required for this report.  
 Please check the box to remove them.

Delete	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
<input type="checkbox"/>	Q	5038	SC.3	N/A	1	Change due to new business
<input type="checkbox"/>	Q	5120	SC.1.a	N/A	1	Change due to movements in market

Done Local intranet

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File Edit View Favorites Tools Help

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# IESUB

Internet Electronic Submission of Statistical Reports

Cancel Reset Submit Save Delete < Back

The following edit failures require explanations:

Delete	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
<input type="checkbox"/>	Q	5750	SB.2.a	N/A	1	IF HI-2a2 is greater than \$10K, then HD-13b2 should be greater than zero.
<input type="checkbox"/>	Q	5695	SB.2.b	N/A	1	Sum of NIS-P3, NIS-P5 and NIS-P6 minus the sum of NIS-P4 and NIS-P7 should equal NIS-P8.

Add your edit explanations below:

Delete	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation

Local intranet

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# IESUB

Internet Electronic Submission of Statistical Reports

Cancel Reset Submit Save Delete < Back

The following edit failures require explanations:

Delete	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
<input type="checkbox"/>	Q	5750	SB.2.a	N/A	1	Change due to market fluctuations
<input type="checkbox"/>	Q	5695	SB.2.b	N/A	1	Change due to management decision to fund business in a different way

Add your edit explanations below:

Edit	Edit	Target	Comparison

Done Local intranet 1:07 PM

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File Edit View Favorites Tools Help

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# IESUB

Internet Electronic Submission of Statistical Reports

Cancel Reset Submit Save Delete < Back

**Microsoft Internet Explorer**

You have pressed the "Submit" button. IESUB will run quality and validity edits before accepting your data. If you did not provide an explanation for any edit errors, you will have an opportunity to provide the explanations or correct the data and resubmit your report.

Any reports, including all data and explanations, that you choose to submit to the Federal Reserve will be relied upon by the Federal Reserve. By submitting this report, you are certifying that you have examined it and that it is true and complete to the best of your knowledge. Do you wish to continue and submit this report?

OK Cancel

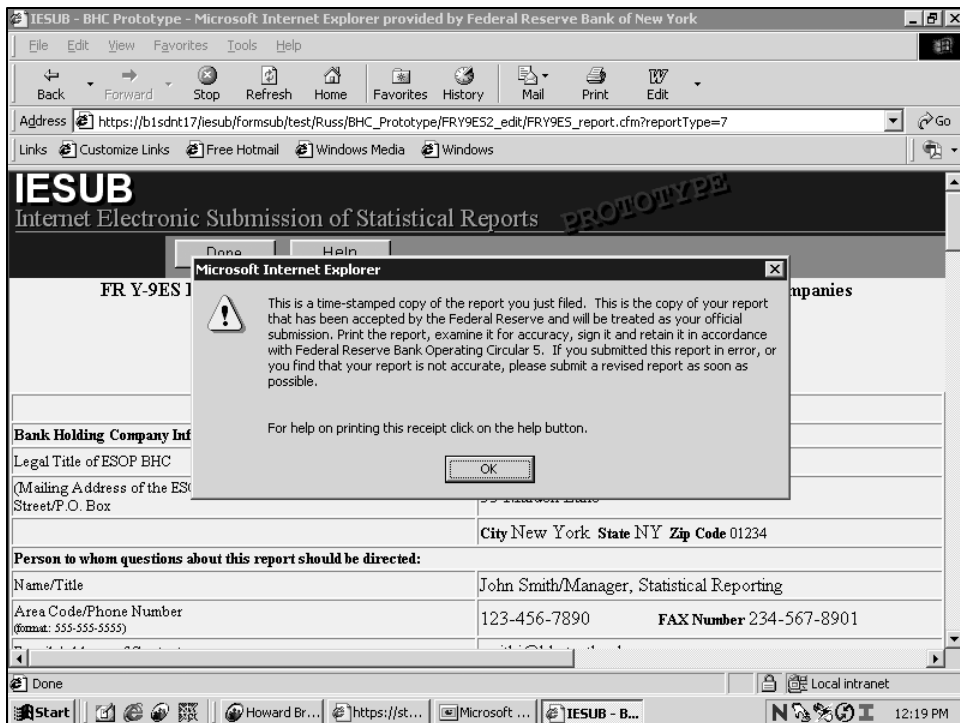
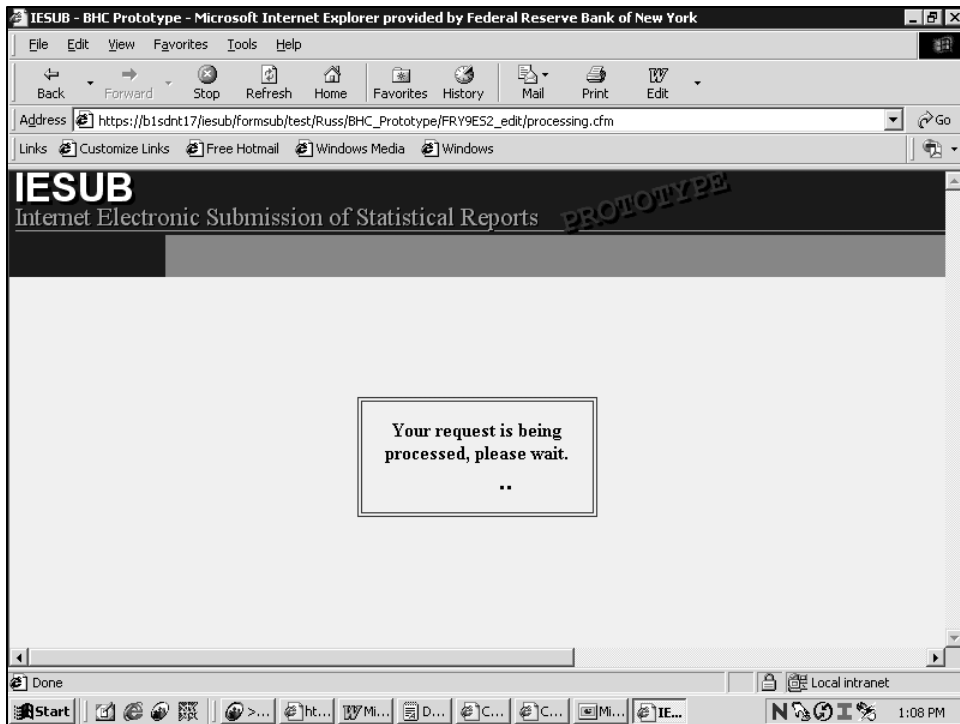
The following edit failures require explanations:

Delete	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
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<input type="checkbox"/>	Q	5695	SB.2.b	N/A	1	Change due to management decision to fund business in a different way

Add your edit explanations below:

Edit	Edit	Target	Comparison

Done Local intranet 1:07 PM



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# IESUB

Internet Electronic Submission of Statistical Reports

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**FR Y-9ES Financial Statements for Employee Stock Ownership Plan Bank Holding Companies**  
**For 0123456789 -- IESUB BHC Test Bank**  
**This is ACCEPTED Data for 12/31/2003**  
**Submitted on 03/08/2004 at 11:49 AM**

**Cover Information**

**Bank Holding Company Information:**

Legal Title of ESOP BHC	IESUB BHC Test Bank	
(Mailing Address of the ESOP BHC) Street/P.O. Box	55 Maiden Lane	
	City New York State NY Zip Code 01234	

**Person to whom questions about this report should be directed:**

Name/Title	John Smith/Manager, Statistical Reporting	
Area Code/Phone Number (format: 555-555-5555)	123-456-7890	FAX Number 234-567-8901

Done Local intranet

Start Howard Brickm... Microsoft Powe... IESUB - BHC P... PrintKey 2000 ... 11:49 AM

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1.	One time annuity disbursement on funds received	152
2.		
3.		
4.		
5.		

**Remarks**  
(Please limit your comments to 6,000 characters.)  
This section for additional comments.

**Edit Explanations**

	Edit Type	Edit Check	Target Item	Comparison Series	Occurrence	Explanation
1	Q	5750	SB.2.a	N/A	1	Change due to market fluctuation
2	Q	5695	SB.2.b	N/A	1	Change due to managements decision to do fund business in a different way

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## What DIs Need to Know

- Differences from CDR
  - XML is not being used for data submission
  - data can be submitted either through file transfer or on-line data entry
- IESUB is the only submission option.
- File format is changing to accommodate edit explanations.
- Revisions to the FR Y-9C & LP data prior to BHC modernization must be transmitted in the old file format.

83

## Milestones

- |  |              |
|--|--------------|
| • Finalize requirements and develop high level project plan          | • 9/30/2003  |
| • Develop system design and detailed project plan                    | • 12/12/2003 |
| • Develop proof of concept /prototype                                | • 12/31/2003 |
| • Develop application  | • 4/30/2004  |
| • Make file specifications available                                 | • 5/14/2004  |
| • Complete integration and stress testing and finalize look and feel | • 6/30/2004  |
| • Make system available to respondents for testing                   | • 7/07/2004  |
| • Move to production   | • 9/30/2004  |

84

## **Call Report Modernization Initiative**

**Presented at:**

FRBNY's Annual State Member Bank/ Bank Holding  
Company Presentation  
Rich Molloy  
Statistics Function  
March 18, 2004

85

## **New Channels for Call Report Data**

- Under the sponsorship of the FFIEC, the Call Report agencies are developing a Central Data Repository (CDR) to be a shared resource for all those who provide Call Report data or rely on these data in their business.

86

## Initiative Sponsors

The initiative sponsors are the FFIEC Call Report agencies, the:

- Federal Deposit Insurance Corporation (FDIC)
- Federal Reserve System (FRB)
- Office of the Comptroller of the Currency (OCC)

87

## Goals of the Modernization Effort

- Faster validation and release of Call Report data
- Greater potential for data reuse

88

## Major Business Model Changes - Agencies

- What's New
  - Centralized data storage and processing facility
    - Shared costs and management
    - Metadata published in XBRL format
    - Historical data available for banks and vendors (2001 forward)
    - Expedited data publication

89

## Major Business Model Changes - Agencies

- What's the Same
  - Timely and accurate Call Report requirements
  - Customer service for requirements; exceptions and accounting rules

90

## Major Business Model Changes - Banks

- What's New
  - Call Report data with validity edit failures will be automatically returned to the bank
  - All quality edit exceptions will require an edit explanation for the data to be accepted
  - If an edit explanation is not supplied, the Call Report data will not be accepted

91

## Major Business Model Changes - Banks

- What's New
  - Internet transmission via vendor software or internally customized software
  - Submission via EDS services will no longer be available
- What's the Same
  - Ultimate responsibility for data
  - Relationship with software providers

92

## Frequently Asked Questions

- **Can banks enter data directly into the CDR and not use vendor provided software?**
- No, banks cannot enter Call Report data directly into the CDR.
  
- **Prior to implementation, will banks be given the opportunity to comment on edits for Call Report validation purposes announced in a formal notice and request for comment (*Federal Register* notices)?**
- No. Banks will not be able to comment on edits announced in a formal notice and request for comment (*Federal Register* notices).

93

## Frequently Asked Questions

- **Will edit explanations provided for quality edits be considered under Agency supervisory programs that monitor late or inaccurate reporting?**
- Yes. The Agencies, however, will defer including quality edit failures under their respective monitoring programs until the financial institutions and Agencies gain experience with the new validation process.

94

## Frequently Asked Questions

- **The progressive nature of editing may cause difficulties in providing edit explanations by the submission deadline. Often large, complex institutions must go to obscure areas of the bank or to their overseas offices for an answer. Will the Agencies accept an explanation that the institution is researching the answer?**
- No. The Agencies will hold banks accountable and responsible for the quality of the Call Report data that they submit.

95

## Frequently Asked Questions

- **Will edit explanations be made public?**
- No. Only the Agencies' staff can view this confidential information in a secure location on the web site.

For a complete list of frequently asked questions please  
visit the FIND website at:

<http://www.ffiec.gov/find/faq.htm>

96

## Major Business Model Changes - Vendors

- What's New
  - Metadata management process centralized
  - XBRL inputs and outputs
  - Support pre-validation requirement
  - Support reporter authentication, authorization and file format
  - Historical data available for edits
  - Potential for cost savings over time (ease of update, reusability)

97

## Major Business Model Changes - Vendors

- What's the Same
  - Continue to provide software and services
  - Ability to leverage processes and services to customers

98

## Focus Groups

- Facilitates communication and coordination with major stakeholders.
- Four major Focus Groups:
  - XBRL Standards Group
  - Technology Forecasting Group
  - Software Vendors Focus Group
  - Financial Institutions Focus Group

99

## Financial Institutions Focus Group

- The ***Financial Institutions Focus Group (FIFG)*** includes representatives of industry trade associations, financial institutions (ranging in size from large to small), banking agencies' staff, and Unisys staff.
- The FIFG has been addressing methods to best communicate the upcoming changes to the banking industry and has also been providing input regarding the planned testing and implementation strategies.

100

## Financial Institutions Focus Group

- Serve as a collaborative bridge between the Call Report Modernization Initiative and the financial institution community
- Support two-way communication about the project
- Identify potential problems early

101

## Financial Institutions Focus Group

- For a list of contacts at each trade group, please visit:

<http://www.ffiec.gov/find/financialfocusgroup.htm>

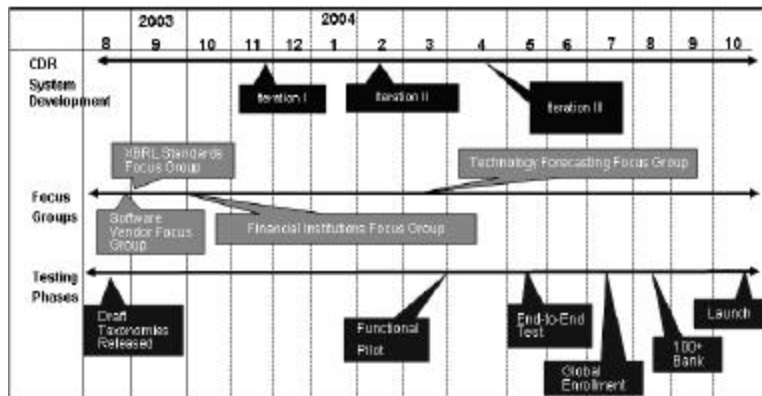
102

## Project Timeline and Approach

Functional Pilot	03/31/04 – 04/30/04	All software vendors and 10 – 15 banks
End-to-End Test	05/03/04 – 06/04/04	All software vendors and 15 – 30 banks
100+ Bank Test	07/06/04 – 09/03/04	All software vendors and 100 + banks
Global Enrollment	06/14/04 – 09/07/04	All software vendors and all banks

103

## Project Timeline and Approach



104

## For Further Information

For more information and continual updates, visit the *Financial Institution Data ~ Bank Call Report* web site:

[www.FFIEC.gov/FIND](http://www.FFIEC.gov/FIND)



105

## Upcoming Report Proposals

Kenneth Lamar  
Federal Reserve Bank of New York

106

## Upcoming

- Revisions to the FFIEC 009
- New TIC D form

107

## FFIEC 009

- Changes needed to conform with international standards
- Changes are not final yet
- No changes to the FFIEC 009a

108

## FFIEC 009

- Additional data for local claims and liabilities
  - Separated columns for local and non-local currency positions
  - Non-local currency claims will be included with direct claims
  - Columns for the total of all local claims will be included in the ultimate risk section
    - This will be used to calculate the FFIEC 009

109

## FFIEC 009

- Commitments will be separated by
  - Commitments
  - Guarantees and Credit Derivatives
- Commitments and guarantees will be reported only on an ultimate risk basis

110

## FFIEC 009

- Federal Register Notice to be issued shortly

111

## TIC D

- New report to collect cross border positions and transactions in derivatives
- Need to close a gap in BOP and International Investment data.
- Collected quarterly from large derivative dealers
  - \$100 billion in total notional value of derivative contracts

112

## TIC D

- The report will be collected on a locational basis
  - Consolidating only U.S. offices
  - Includes contracts executed for customers

113

## TIC D

- Report has two sections
  - Part I- Collects data on total cross border positions and cash settlements by:
    - Risk Type
    - Contract Type
    - OTC/Exchange Traded
    - Selected memo items
  - Part II-collects data on position and cash settlement by country

114

## TIC D

- Proposed Implementation is the as of date of 3/31/05
- To reduce reporting burden the cash settlement columns will be phased in over three quarters.

115