

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

March 30, 2001

To: The Chief Executive Officer of Each U.S. Branch and Agency of a Foreign Bank Located in the Second Federal Reserve District

Enclosed are copies of forms for the following reports for the quarter ending March 31, 2001:

- Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002); and
- Supplemental Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S).
- The Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019)

June 2001 Report Changes

There are no changes to the **FFIEC 002 or FFIEC 002S** reporting forms or instructions for March 31, 2001. However, within the next few weeks a final Federal Register notice will be published announcing the changes to the FFIEC 002/002S reports, with an implementation date of June 30, 2001. We will advise you of the notice when it is issued.

FASB Statement No. 133 (FAS 133)

FAS 133 is effective for fiscal years beginning after June 15, 2000. Branches and agencies must adopt Statement No. 133 on the FFIEC 002 on the first quarter for the new fiscal year. Therefore all institutions with a fiscal year ending prior to March 31, 2001 should adopt this standard. Piecemeal adoption of FAS 133 is not permitted.

The FFIEC 002 has not been revised as a result of FAS 133. Once an institution adopts FAS 133, the fair value of

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trading derivatives with *nonrelated* parties should continue to be reported in Schedule RAL, Assets and Liabilities, "Trading assets" (Line 1.f) for positive fair values, or Schedule RAL, "Trading liabilities" (Line 4.e) for negative fair values. The fair value of contracts with *nonrelated* parties held for purposes other than trading should be reported in Schedule RAL, "Other assets" (Line 1.h) for positive fair values, or Schedule RAL, "Other liabilities" (Line 4.f) for negative fair values.

The fair value of trading derivatives with *related* parties should be reported in Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, "Trading assets and liabilities, related parties" (Part I, Memoranda Line 3), column A for positive fair values, and column B for negative fair values. These amounts should also be reported in Schedule M, "U.S. domiciled offices of related depository institutions (including their IBFs)" (Part I, Line 1), or "Non-U.S. domiciled offices of related depository institutions" (Part I, Line 2), with the appropriate counterparty. The fair value of contracts with *related* parties held for purposes other than trading should be reported in Schedule M, Part I, Line 1 or Line 2, column A for positive fair values, and column B for negative fair values.

Consistent with FAS 133 and its implementation guidance, intercompany derivatives between a U.S. branch or agency and a related party, including the reporting branch or agency's parent bank, may qualify for hedge accounting if it meets the criteria outlined in the guidance.

In addition, for all derivative contracts with both related and nonrelated parties (including derivatives designated and qualifying as cash flow hedging instruments), the changes in the fair value of the derivatives (that is, gains and losses) should be reported as part of an institution's unremitted profit (loss) reported in Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, "Gross due to/due from Head office of parent bank" (Part I, Line 2.a). For fair value hedges, the change in the fair value of the hedged item (asset, liability or firm commitment) attributable to the hedged risk should adjust the carrying amount of the hedged item. In addition, this change in fair value should also be reported as part of the net unremitted profit (loss) in Schedule M.

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Reports Monitoring

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of each of these reports will be monitored, and that submission of initial data via facsimile, even if prior to the deadline, does not constitute timely filing.

An original and one copy of the completed FFIEC 002 and FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than April 30, 2001. Any FFIEC 002/002S reports received after 5:00 p.m. on April 30 will be considered late unless postmarked by April 27 or sent by overnight service by April 28. Complete reports should be submitted to:

**Federal Reserve Bank of New York
Statistics Function
33 Liberty Street, 4th Floor
New York, NY 10045**

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the March 31, 2001, report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The edits for the FFIEC 002 report that are subject to monitoring have been mailed previously.

Electronic Submission Option

Electronic submission of the FFIEC 002/002S reports are available to all U.S. branches and agencies. We encourage you to take advantage of this method of reports submission. Vendors have developed a software package that provides the means to submit the FFIEC 002/002S electronically. Submitting reports electronically using the software package provides the following key benefits:

- A timely and efficient alternative to sending the report forms by mail;
- Data are checked automatically for miscalculated totals and blank fields; and
- A printed report is generated that can serve as your institution's permanent record of the report.

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For information on filing the FFIEC 002/002S report electronically, please contact Henry Castillo at (212) 720-1318.

Website

The FFIEC 002/002S forms and instructions are available on the FFIEC web site at http://www.ffiec.gov/ffiec_report_forms.htm.

Questions regarding the FFIEC 002/002S reports should be directed to Alex Santana at (212) 720-6357, Diana Stemm at (212) 720-8925 or Richard Molloy, Reports Specialist in the Regulatory Reports Division at (212) 720-6393.

FFIEC 019

The FFIEC 019 report must be submitted if your institutions total direct claims on foreign residents exceed \$30 million on the report date. If your institution does not meet this reporting criterion we ask that you submit an official letter stating that fact no later than the due date specified below.

Reports Monitoring

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of each of these reports will be monitored, and that submission of initial data via facsimile, even if prior to the deadline, does not constitute timely filing.

An original and one copy of the completed FFIEC 019 report must be returned, by mail or messenger, no later than May 14, 2001. Any FFIEC 019 reports received after 5:00 p.m. on this date will be considered late unless postmarked by May 8, 2001 or sent by overnight service by May 11, 2001. Completed FFIEC 019 reports should be submitted to:

**Federal Reserve Bank of New York
Attn: Statistics Function-Administrative Support
33 Liberty Street, 4th Floor
New York, NY 10045**

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the March 30, 2000,

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report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The edits for the FFIEC 019 report that are subject to monitoring are unchanged and are included in the mailing.

Website

The FFIEC 019 forms and instructions are available on the FFIEC web site at http://www.ffiec.gov/ffiec_report_forms.htm.

If there are any questions concerning the FFIEC 019 report, please direct them to the International Reports Staff at (212) 720-8247.

Annual Regulatory Reporting Seminars

A letter containing information on the U.S. Branches and Agencies seminars scheduled for 2001 was mailed to your institution's Chief Executive Officer in March. If you have any questions about the seminars, you can contact Patricia Maone at (212) 720-7871.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Statistics Function

Enclosures

March 30, 2001

bcc: Ms. Davis-Creech
Ms. Maone
Mr. McAvoy
Ms. Miske
Mr. Molloy
Mr. Pietrangolare
Mr. Taub
Ms. Waldman
Foreign unit
RRD File