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KENNETH LAMAR
VICE PRESIDENT

March 31, 2006

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, 2006 report date from the Federal Financial Institutions Examination Council.

Please plan to complete the preparation, review, and submission of your Call Report data to the Central Data Repository (CDR) as early as possible. Starting your preparation early will aid you in identifying and resolving any edit exceptions prior to the submission deadline.

As the Federal Financial Institutions Examinations Council (FFIEC) previously advised you, certain revisions to the Call Report are scheduled to take effect this quarter and other revisions will be phased in over the next two years. These changes are outlined in FIL-7-2006, dated January 27, 2006, which can be found at:

<http://www.fdic.gov/news/news/financial/2006/fil06007a.html>

Significant changes effective with the March 31, 2006 Call Report include:

- eliminating items (for some banks) for estimated uninsured deposits, asset-backed securities held as investments, bankers acceptances, and income from nontrading derivatives;
- adding items for life insurance assets, types of credit derivatives, remaining maturities of credit derivatives, and certain foreclosed properties; and
- revising the basis for reporting international income.

Listed below is a brief summary of the changes that affect the March 31, 2006 Call Reports and are outlined in more detail in FIL-7-2006:

Uninsured Deposits

Banks with less than \$1 billion in total assets will no longer be required to complete Schedule RC-O, Other Data for Deposit Insurance and FICO Assessments, "Estimated amount of uninsured deposits" (Memorandum, Line 2). Banks with \$1 billion or more in total assets will continue to report this estimate in Schedule RC-O, Memorandum, Line 2. To determine whether a bank must complete Memorandum item 2 during 2006, the \$1 billion asset size test is based on the total assets reported on the bank's Call Report balance sheet for June 30, 2005. Each year thereafter, this asset size test will be determined based on the total assets reported in the previous year's June 30 Call Report. Once a bank surpasses the \$1 billion total asset threshold, it must continue to report its estimated uninsured deposits regardless of subsequent changes in its total assets.

Asset-Backed Securities

Banks with domestic offices only and less than \$1 billion in total assets will no longer provide a six-way breakdown of their holdings of asset-backed securities (not held for trading purposes) in Schedule RC-B, "Securities," Lines 5.a through 5.f. Instead, these banks would report only their total holdings of asset-backed securities in Schedule RC-B, Line 5. Banks with foreign offices and other banks with \$1 billion or more in total assets will continue to report the existing breakdown of their asset-backed securities, but this information will be collected in the new Memorandum items, Lines 5.a through 5.f of Schedule RC-B. The \$1 billion asset size test should be applied in the same manner as discussed above under Uninsured Deposits.

Income from Nontrading Derivatives

Schedule RI, "Income Statement," Memorandum items 9.a through 9.c, which collect data on the "Impact on income of derivatives held for purposes other than trading" has been eliminated.

Bankers Acceptances

The following items for reporting information on bankers acceptances has been eliminated:

- Schedule RC, "Balance Sheet", "Customers' liability to this bank on acceptances outstanding" (Line 9) and "Bank's liability on acceptances executed and outstanding" (Line 18)
- Schedule RC-L, "Derivatives and Off-Balance Sheet Items," "Participations in acceptances conveyed to others by the reporting bank" (Line 5)
- Schedule RC-H, "Selected Balance Sheet Items for Domestic Offices" (FFIEC 031 only) , "Customers' liability to this bank on acceptances outstanding" (Line 1), and "Bank's liability on acceptances executed and outstanding" (Line 2)

With the elimination of separate balance sheet items for acceptances on Schedule RC, banks should include any acceptance assets and acceptance liabilities in "Other assets" (Schedule RC, Line 11) and "Other liabilities" (Schedule RC, Line 20), respectively.

Life Insurance Assets

Schedule RC-F, Other Assets, has been revised by adding a new item, "Life insurance assets" (Line 5) in which all banks will report their holdings of life insurance assets. The previous Line 5, "All other assets," in Schedule RC-F has been renumbered as Line 6.

On the new item, Schedule RC-F, Line 5, banks should include the cash surrender value of life insurance reported by the insurance carrier, less any applicable surrender charges not reflected by the carrier in this reported value, on all forms of permanent life insurance policies owned by the bank, its consolidated subsidiaries, and grantor (rabbi) trusts established by the bank or its consolidated subsidiaries, regardless of the purposes for acquiring the insurance and regardless of whether the insurance is a general account obligation of the insurer or a separate account obligation of the insurer. Permanent life insurance refers to whole and universal life insurance, including variable universal life insurance. Purposes for which insurance may be acquired include offsetting pre- and post-retirement costs for employee compensation and benefit plans, protecting against the loss of key persons, and providing retirement and death

benefits to employees. Include as life insurance assets the bank's interest in insurance policies under split-dollar life insurance arrangements with directors, officers, and employees under both the endorsement and collateral assignment methods.

Credit Derivatives by Type and Remaining Maturity

In Schedule RC-L, Derivatives and Off-Balance Sheet Items, Line 7 has been revised so that banks with credit derivatives will provide a breakdown of notional amounts by type of credit derivative - credit default swaps, total return swaps, credit options, and other credit derivatives - in Lines 7.a.(1) through 7.a.(4) of Schedule RC-L, with those on which the bank is the guarantor reported in Column A and those on which the bank is the beneficiary in Column B. Banks will continue to separately report the gross positive and negative fair values of credit derivatives on which they are the guarantor and the beneficiary without a breakdown by type of credit derivative (Lines 7.b.(1) and 7.b.(2), Columns A and B).

A new category has been added to Schedule RC-R, Memorandum Line 2 for credit derivatives that are subject to risk-based capital. The remaining maturities of these credit derivatives should be reported separately for those where the underlying reference asset is rated investment grade or, if not rated, is the equivalent of investment grade under the bank's internal credit rating system (Memorandum, Line 2.g.(1)) and those where the underlying reference asset is rated below investment grade ("subinvestment grade") or, if not rated, is the equivalent of below investment grade under the bank's internal credit rating system (Memorandum, Line 2.g.(2)).

Foreclosed Properties from "GNMA Loans"

An institution that forecloses on real estate backing a delinquent GNMA loan should report the property on "Other real estate owned" (Schedule RC, Line 7). In addition, a new item has been added to separately disclose the amount of such foreclosed real estate on Schedule RC-M, Line 3.b.(6), "Foreclosed properties from GNMA loans".

Income from Foreign Offices

Schedule RI-D, has been revised to capture income from foreign offices (as that term is currently defined for Call Report purposes) in place of income from "international

operations." The schedule has been renamed "Income from Foreign Offices" and the threshold for completing revised Schedule RI-D will continue to be based on a 10 percent test, but the test would compare a bank's foreign office revenues, assets, and net income to its consolidated total revenues, total assets, and net income.

The amounts reported in Schedule RI-D (except adjustments to pretax income, internal allocations, and eliminations) should be reported on a foreign office consolidated basis, i.e., before eliminating the effects of transactions with domestic offices, but after eliminating the effects of transactions between foreign offices. This is a change from the current Schedule RI-D approach under which amounts are reported net of all intrabank transactions.

Standby Letters of Credit Issued by a Federal Home Loan Bank

A preprinted caption has been added to Schedule RC-L, Line 9.c to facilitate the reporting and identification of standby letters of credit issued by a Federal Home Loan Bank when the amount exceeds 25 percent of total equity capital.

Scope of Securitizations to be Included in Schedule RC-S

In Column G of Schedule RC-S, "Servicing, Securitization, and Asset Sale Activities," banks have been reporting information on securitizations and on asset sales with recourse or other seller-provided credit enhancements involving loans (other than those covered in Columns A through F) and all leases. Although the scope of Schedule RC-S was intended to cover all of a bank's securitizations and credit-enhanced asset sales, Column G did not capture transactions involving assets other than loans and leases. Therefore, the scope of Column G has been revised to encompass "All Other Loans, All Leases, and All Other Assets." As a result, Column G will begin to reflect securitization transactions involving such assets as securities.

Servicing of Home Equity Lines

The instructions to Schedule RC-S, "Servicing, Securitization, and Asset Sale Activities", Memorandum item 2, has been clarified by stating that servicing of home equity lines should be included in Memorandum item 2.c. Memorandum items 2.a and 2.b should include servicing of closed-end loans secured by first or junior liens on 1-4 family residential properties only.

Report Submission

A completed Call Report must be submitted electronically to the CDR no later than April 30, 2006. To be considered timely, the report must pass FFIEC-published validity edits and quality edits or, where necessary, contain explanations for any quality edits that are not passed. Explanatory comments should be prepared consistent with the "Guidelines for Resolving Edits" that are published on the FFIEC's web site:

<http://www.ffiec.gov/find/documents/resolvingedits.pdf>

Please note that the timeliness of receipt of the Call Report will be monitored. Any report received at the CDR after 5:00 p.m. on April 30 will be considered late.

The staff of this bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of validity edits.

Each bank must file its March 31, 2006, Call Report data in one of the following two ways:

- A bank may use computer software to prepare and edit its report data and then electronically submit the data directly to the CDR (<https://cdr.ffiec.gov/cdr/>).
- A bank may complete its report in paper form and arrange with a software vendor or another party to convert its paper report into the electronic format that can be processed by the CDR. The software vendor or other party then must electronically submit the bank's Call Report data file to the CDR.

Accelerated Filing Deadline

A bank with more than one foreign office is permitted an additional 10 calendar days to complete its Call Report. Such a bank is required to electronically transmit its report to the CDR no later than May 10, 2006. Please note that the filing period for banks with more than one foreign office is scheduled to be reduced from 40 to 35 calendar days effective June 30, 2006.

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](http://www.ffiec.gov/ffiec%20report%20forms.htm)

March 31, 2006

Please note that, with the implementation of the CDR and the availability of sample Call Report forms on the Internet and from Call Report software, the agencies plan to discontinue the regular quarterly mailing of sample Call Report forms to banks in the near future. The agencies will provide advance notice to banks as to when this change in policy will take effect.

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 Hilda Hyman, Senior Reports Analyst in the Regulatory Reports Division at (212) 720-2364 or Monica Posen, Team Leader of that Division at (212) 720-8239.

Sincerely,

-- Signed by Kenneth Lamar --

Kenneth Lamar
Vice President
Financial Reports Division