FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

TELEPHONE 212 720-8590

FACSIMILE 212 720-8707

ken.lamar@ny.frb.org

KENNETH LAMAR
VICE PRESIDENT

March 31, 2006

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 (BHC) Reporting Requirements for March 31, 2006

The following report forms and instructions for the March 31, 2006 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

(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) Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11);
(4) Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314); and
(5) Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12).

The FR Y-9C threshold for reporting has been increased to $500 million or more in total consolidated assets. In addition, the reporting requirement for top-tier BHCs to submit an FR Y-9C for each lower-tier BHC with total consolidated assets of $1 billion or more has been eliminated. However, all lower-tier BHCs of FR Y-9C filers will be required to submit a FR Y-9LP.

The FR Y-9C form has been revised to add items for (1) loans for purchasing and carrying securities, (2) market risk equivalent assets subject to specific risk, and (3) further detail on credit derivatives. In addition, the reporting threshold for life insurance assets has been removed and the scope of securitizations included in Schedule S, column G has been revised to include all other assets. Several eliminations and reductions to a number of items have also been made.

The FR Y-9LP threshold for reporting has been increased to $500 million or more in total consolidated assets. The reporting criteria for the quarterly FR Y-11 and FR 2314 has been revised to be consistent with the revised threshold for the FR Y-9C. The FR Y-11 form has been revised to add a new balance sheet item to report general and limited partnership shares or interests and several balance sheet memoranda items have been expanded to capture securitization information on transactions involving assets other than loans. The FR 2314 form has been revised to collect the amount of general and limited partnership shares and interests. There have been no changes to the FR Y-12 report for this quarter.

Significant accounting updates have been provided in this letter and in the attachment.

New Subscription Service

We are offering a new subscription service which enables you to receive recent news and updates on our reporting forms and instructions and upcoming Bank events. You can sign up for this new service at the following website: http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

Reports Submission

All FR Y-9C and FR Y-9LP filers are required to submit electronically. A signed and attested printout of the data submitted must be maintained in the BHCs files. The cover page of the Reserve Bank supplied report forms should be used to fulfill the signature and attestation requirements and should be attached to the printout placed in the BHCs files. For the FR Y-11, FR 2314 and FR Y-12 reports that are not submitted electronically, an original and two copies (one-sided) of each completed report must be returned to this bank by mail or messenger by the dates listed below.

The Federal Reserve continues to monitor the timeliness of receipt of these reports. Earlier submission would aid this Bank in reviewing and processing the reports and is encouraged.

The submission deadline for the all FR Y-9C filers is Wednesday May 10, 2006. Any FR Y-9C report received after 5:00 p.m. on May 10 will be considered late. The submission deadline for all FR Y-9LP filers is Monday, May 15, 2006. Any FR Y-9LP report received after 5:00 p.m. on May 15 will be considered late. The submission deadline for the FR Y-12 is Monday, May 15, 2006. Any FR Y-12 reports received after 5:00 p.m. on May 15 will be considered late unless postmarked by Saturday, May 13 or sent by overnight service on Sunday, May 14.

The submission deadline for the FR Y-11 and FR 2314 is Tuesday, May 30, 2006. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on May 30 will be considered late unless postmarked by Saturday, May 26 or sent by overnight service on Monday, May 29.

Submission of initial data via facsimile, even if prior to this deadline does not constitute an official 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

Editing of Data by Respondents

All BHCs must submit their FR Y-9 reports via the Federal Reserve's internet submission facility (IESUB), using either data entry or file transfer. This data collection system will subject a BHC's electronic data submission to the published validity and quality edit checks and transmit the results of such checks to the BHC shortly thereafter. The BHC must resolve any validity edit before the data can be accepted. The BHC will also be provided a method for supplying explanations for quality edits. (Guidelines for providing quality explanations can be found at www.reportingandreserves.org). These explanations will be held confidential. Reports that contain validity edit failures or have quality edit failures that are not explained on or before the filing deadline will be deemed late.

Companies that offer computer software to aid in the preparation of FR Y-9 reports or BHCs that have developed their own reporting software may choose to incorporate validity and quality edit checks into their software.

The Federal Reserve will continue to provide updates about the enhanced IESUB submission process on the web site: www.reportingandreserves.org under the heading BHC Modernization project.

FASB Statement No. 123 (Revised 2004) and Share-Based Payments

FASB Statement No. 123 (Revised 2004), Share-Based Payment (FAS 123(R)), requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments, e.g., stock options and restricted stock, granted to employees. Bank holding companies must adopt FAS 123(R) for FR Y-9C purposes in accordance with the standard's effective date and transition provisions. Public companies other than small business issuers, including BHCs, must adopt FAS 123(R) as of the beginning of their first fiscal year beginning after June 15, 2005. All other companies, including small business issuers and BHCs that are not subsidiaries of public companies, must adopt FAS 123(R) as of the beginning of their first fiscal year beginning after December 15, 2005. Thus, all BHCs with a calendar year fiscal year must implement FAS 123(R) as of January 1, 2006.

Under FAS 123(R), the "compensation cost for an award of share-based employee compensation classified as equity shall be recognized over the requisite service period," which is typically the same as the vesting period, "with a corresponding credit to equity (generally, paid-in capital)." The recording of the compensation cost also gives rise to deferred tax consequences, i.e., a deferred tax asset, that must be recognized (and evaluated for realizability).

The compensation expense should be included in Schedule HI, item 7.a, "Salaries and employee benefits," with the corresponding credit included in Schedule HC, item 25, "Surplus" on the FR Y-9C. In Schedule HI-A, Changes in Equity Capital, this credit should be included in item 5, "Sale of perpetual preferred stock," or in item 6, “Sale of common stock.” This reporting treatment applies regardless of whether the shares awarded to the employee are shares of bank stock or shares of the bank's parent holding company.

Privatization of the Student Loan Marketing Association

On December 29, 2004, the Student Loan Marketing Association (SLMA), a government-sponsored enterprise created in 1972, was dissolved. On that date, SLMA defeased its remaining debt obligations by transferring them into a special and irrevocable trust and depositing U.S. Treasury securities with the trustee in amounts sufficient to pay the principal of and interest on its debt obligations. For FR Y-9C purposes, BHCs should continue to report SLMA debt obligations held for purposes other than trading as securities issued by U.S. Government-sponsored agencies in Schedule HC-B, item 2.b. Similarly, SLMA debt obligations held for trading purposes (in domestic offices) should continue to be reported as U.S. Government agency obligations in Schedule HC-D, item 2. Bank holding companies should refer to the guidance in the Federal Reserve's risk-based capital standards on the treatment of collateralized claims to determine the appropriate risk weight for these SLMA debt securities.

SLM Corporation, the successor to SLMA, is a private-sector corporation that has issued debt securities, including commercial paper. Bank holding companies should report SLM Corporation debt securities held for purposes other than trading as "Other domestic debt securities" in Schedule HC-B, item 6.a. SLM Corporation debt securities held for trading purposes (in domestic offices) should be reported as "Other debt securities" in Schedule HC-D, item 5. Bank holding companies should report holdings of securitized student loans issued by SLM Corporation (or its affiliates) as asset-backed securities in Schedule HC-B, item 5, unless held for trading purposes. Holdings of SLM Corporation common stock and preferred stock should be reported in Schedule HC-B, item 7, unless held for trading purposes. SLM Corporation debt securities, common stock, and preferred stock should be risk-weighted 100 percent. Its asset-backed securities should be risk-weighted in accordance with the ratings-based approach described on page HC-R-13 of the FR Y-9C instructions.

Agency Prepayment-Linked Notes

In 2004, the Federal National Mortgage Associations (Fannie Mae) and the Federal Home Loan Banks began to issue a type of fixed rate debt securities known as prepayment-linked or index amortizing notes. Principal and interest on the notes are paid monthly, with the principal payments indexed to the prepayment performance of a reference pool of mortgages or a reference mortgage-backed security. However, the notes are not collateralized by the mortgages or mortgage-backed security and they have stated final maturity dates that are generally 5 to 12 years from the date of issuance.

Because these securities are direct unsecured obligations of the issuing government-sponsored agency, BHCs should report their holdings of these prepayment-linked notes in Schedule HC-B, item 2.b, if they are not held for trading purposes. In addition, these securities are considered structured notes because of their repayment characteristics and, if not held for trading purposes, must also be reported in Schedule HC-B, Memorandum item 4. For risk-based capital purposes, these agency prepayment-linked notes are a claim on a U.S. government-sponsored agency and should be assigned a 20 percent risk weight.

Asset-Backed Commercial Conduits

On July 28, 2004 the banking agencies issued a final rule amending their risk-based capital standards to make permanent an existing interim risk-based capital treatment for assets in ABCP conduits that sponsoring banking organizations are required to consolidate in accordance with Interpretation No. 46 (Revised).

Under the final rule, sponsoring banking organizations are permitted to exclude the consolidated ABCP program assets from their risk-weighted assets when they calculate their risk-based capital ratios. The final rule also requires banking organizations to hold risk-based capital against eligible ABCP program liquidity facilities with an original maturity of one year or less that provide liquidity support to these programs by imposing a 10 percent credit conversion factor on such facilities. Eligible liquidity facilities with an original maturity exceeding one year remain subject to the current 50 percent credit conversion factor. All liquidity facilities that provide liquidity support to ABCP will be treated as eligible liquidity facilities until September 30, 2005. Beginning September 30, 2005, however, ineligible liquidity facilities (both short-term and long-term) are treated as direct credit substitutes or recourse obligations and are subject to a 100 percent credit conversion factor. For all liquidity facilities, the resulting credit equivalent amount is risk weighted according to the underlying assets, after consideration of any collateral, guarantees, or external ratings, if applicable. Bank holding companies involved with ABCP programs should refer to the final rule for complete information on the risk-based capital treatment of these programs.

In addition, any minority interests in consolidated ABCP programs are not eligible for inclusion in Tier 1 capital (or total risk-based capital). The final rule also does not alter the accounting rules for balance sheet consolidation under Interpretation No. 46 (Revised), nor does it affect the denominator of the Tier 1 leverage capital ratio calculation, which continues to be based primarily on on-balance sheet assets as reported under generally accepted accounting principles.

Under the agencies' final rule, banking organization sponsors of any consolidated ABCP programs should include the consolidated assets in the appropriate balance sheet asset categories when completing items 34 through 43, column A, in Schedule HC-R, Regulatory Capital. The amounts of these consolidated assets should also be reported in items 34 through 43, column B, "Items not Subject to Risk-Weighting," unless the BHC has chosen to consolidate the ABCP program assets onto its balance sheet for risk-based capital purposes, as permitted under the final rule, and risk weights them accordingly. However, unless this consolidation option has been chosen, sponsoring banking organizations must continue to hold risk-based capital against all exposures arising in connection with these programs, whether or not the programs are consolidated for accounting purposes, including direct credit substitutes, recourse obligations, residual interests, and loans. These exposures should be reported in the appropriate items of Schedule HC-R.

Furthermore, BHCs that provide eligible liquidity facilities to ABCP programs, whether or not they are the program sponsor, must report these facilities in Schedule HC-R, item 53 (unless a sponsor has chosen the consolidation option). The full amount of the unused portion of an eligible liquidity facility with an original maturity exceeding one year should be reported in item 53, column A. For an eligible liquidity facility with an original maturity of one year or less, 20 percent of the unused portion of the facility should be reported in item 53, column A, to produce the effect of a 10 percent conversion factor when reporting the credit equivalent amount of the liquidity facility in item 53, column B. Finally, any minority interests in consolidated asset-backed commercial paper programs should not be included in Schedule HC-R, item 6.a, “Qualifying minority interests in consolidated subsidiaries and similar items.”

Liquidity facilities (both short-term and long-term) for ABCP conduits that do not meet the asset quality test (ineligible) are treated as direct credit substitutes or recourse obligations for risk-based capital purposes and are subject to a 100 percent credit conversion factor. Ineligible liquidity facilities for ABCP conduits should be reported in item 52, “All other off-balance sheet liabilities” and the resulting credit equivalent amount is risk-weighted according to the underlying assets, after consideration of any collateral, guarantees, or external ratings, if applicable.

For those ABCP programs that a BHC consolidates onto its FR Y-9C balance sheet, any credit enhancements and liquidity facilities the BHC provides to the conduit should not be reported in Schedule HC-L, Derivatives and Off-Balance Sheet Items. In contrast, for programs that are not consolidated, a BHC should report the credit enhancements and liquidity facilities it provides to the programs in the appropriate items of Schedule HC-L.

For purposes of Memorandum item 3 of Schedule HC-S, Servicing, Securitization, and Asset Sale Activities, BHCs must report data on credit enhancements and liquidity facilities provided to asset-backed commercial paper conduits regardless of their accounting treatment for the conduit. Thus, whether or not a BHC must consolidate the conduit for reporting purposes in accordance with FASB Interpretation No. 46, the BHC must report its maximum credit exposure arising from and its unused commitments to conduit structures in Memorandum items 3.a and 3.b, respectively.

EITF Issue No. 03-1 on Other-Than-Temporary Impairment

In March 2004, the FASB ratified the consensus reached by its Emerging Issues Task Force (EITF) on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The EITF's consensus applies to debt and equity securities accounted for under FASB Statement No. 115, i.e., held-to-maturity securities and available-for-sale securities, and to equity securities that do not have readily determinable fair values that are accounted for at cost. The consensus establishes a three-step process for determining when an investment is impaired, whether that impairment is other than temporary, and how to measure the impairment loss if the impairment is deemed to be other than temporary. This process is to be applied to individual securities. An individual security is considered impaired if its fair value is less than its cost. If, upon evaluation, the impairment of an individual security is determined to be other than temporary (which does not mean permanent), an impairment loss must be recognized in earnings for the difference between the security's cost and its fair value.

In November, 2005, the FASB issued FASB Staff Position Nos. FAS 115-1 and FAS 124-1 to nullify the measurement and recognition guidance contained in EITF Issue No. 03-1, the effective date of which the FASB had previously delayed. The guidance in this FASB Staff Position is to be applied beginning in 2006 and references existing other-than-temporary impairment guidance, which institutions were already expected to apply. Such guidance includes FASB Statement No. 115, EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 59, "Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities."

AICPA Statement of Position 03-3 on Purchased Loans and Debt Securities

In December 2003, the AICPA issued Statement of Position 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer. In general, this Statement of Position (SOP) applies to purchased impaired loans and debt securities, i.e., loans and debt securities that a banking organization has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit quality since the origination of the loan or debt security and it is probable, at the purchase date, that the BHC will be unable to collect all contractually required payments receivable. The SOP applies to loans and debt securities acquired in fiscal years beginning after December 15, 2004, with early adoption permitted. Bank holding companies must follow SOP 03-3 for FR Y-9C reporting purposes in accordance with its effective date based on their fiscal years. The SOP does not apply to the loans that a BHC has originated.

For further information on this SOP, please refer to the Glossary entry for "Purchased Impaired Loans and Debt Securities" and the revised Glossary entry for "Allowance for Loan and Lease Losses," included in the updated FR Y-9C instructions. The instructions also include instructions for three items pertaining to purchased impaired loans: Schedule HC-C, Loans and Leases, Memorandum items 5.a and 5.b, and Schedule HI-B, part II, Changes in Allowance for Loan and Lease Losses, Memorandum item 4.

GNMA Mortgage Loan Optional Repurchase Program

A seller-servicer must report all delinquent residential mortgage loans backing Government National Mortgage Association mortgage-backed securities that must be rebooked as assets in accordance with FASB Statement No. 140 (GNMA loans), whether they have been repurchased or are eligible for repurchase, as loans held for sale (Schedule HC, item 4.a) or loans held for investment (Schedule HC, item 4.b), based on facts and circumstances, in accordance with generally accepted accounting principles. In addition, if a BHC services GNMA loans, and was not the transferor of the loans that have been securitized, and purchases individual delinquent loans out of the GNMA securitization, the BHC must also report the purchased loans as loans held for sale or held for investment.2.

All GNMA loans recognized as assets should be reported as past due in Schedule HC-N in accordance with their contractual repayment terms. Such delinquent GNMA loans should be reported in items 1.c, 11, and 11.b of Schedule HC-N. In addition, an institution that forecloses on real estate backing a delinquent GNMA loan should report the property as "other real estate owned" and not as an "other asset" on the FR Y-9C balance sheet.

Commitments to Originate and Sell Mortgage Loans

On May 3, 2005, the agencies issued an Interagency Advisory on Accounting and Reporting for Commitments to Originate and Sell Mortgage Loans. This advisory provides supplemental guidance on the appropriate accounting and reporting for commitments to originate mortgage loans that will be held for resale and for commitments to sell mortgage loans under mandatory delivery and best efforts contracts. The advisory can be accessed on the Federal Reserve Board's Web site at www.federalreserve.gov/boarddocs/srletters/2005/sr0510.htm.

Commitments to originate mortgage loans that will be held for resale, which the advisory refers to as derivative loan commitments, are derivatives and must be accounted for at fair value on the balance sheet by the issuer. All loan sales agreements, including mandatory delivery and best efforts contracts, must be evaluated by both the seller and the purchaser to determine whether the agreements meet the definition of a derivative under FASB Statement No. 133. Bank holding companies should also account for loan sales agreements that meet the definition of a derivative, which the advisory refers to as forward loan sales commitments, at fair value on the balance sheet.

The advisory also addresses the guidance that should be considered in determining the fair value of derivatives. In this regard, when quoted market prices are not available, which is typically the case for derivative loan commitments and forward loan sales commitments, estimates of fair value should be based on the best information available in the circumstances. A simplified example is included to provide general guidance on one approach that may be used to value commitments to originate mortgage loans that will be held for resale. In addition, the advisory states that the agencies expect all institutions, including those that are not required to file reports with the SEC, to follow the guidance in SEC Staff Accounting Bulletin No. 105, Application of Accounting Principles to Loan Commitments, in recognizing derivative loan commitments. The Staff Accounting Bulletin can be accessed at www.sec.gov/interps/account/sab105.htm.

According to the advisory, under a typical derivative loan commitment, the borrower can choose to (1) "lock-in" the current market rate for a fixed-rate loan, i.e., a fixed derivative loan commitment; (2) "lock-in" the current market rate for an adjustable-rate loan that has a specified formula for determining when and how the interest rate will adjust, i.e., an adjustable derivative loan commitment; or (3) wait until a future date to set the interest rate and allow the interest rate to "float" with market interest rates until the rate is set, i.e., a floating derivative loan commitment.

Bank holding companies are expected to apply the guidance in the advisory when preparing their FR Y-9C reports. However, until certain questions that have been raised about floating derivative loan commitments are resolved, institutions should follow their existing reporting policies for floating derivative loan commitments and need not account for and report these commitments as derivatives for FR Y-9C reporting purposes. All other derivative loan commitments should be reported as over-the-counter written interest rate options in Schedule HC-L, Derivatives and Off-Balance Sheet Items, not as unused commitments in item 1 of Schedule HC-L. The principal amount of the mortgage loans to be originated under these derivative loan commitments must be reported as the notional amount of the derivatives in Schedule HC-L, item 11.d(1), column A, and in Schedule HC-L, item 13, column A.

Bank holding companies must also report the fair value of these derivative loan commitments in the appropriate subitem of Schedule HC-L, item 14.b. As with written options, derivative loan commitments are outside the scope of the credit conversion process that applies to derivatives under the Federal Reserve's risk-based capital standards. However, if the fair value of any of these derivative loan commitments after initial recognition is positive and therefore reported as an asset, this positive fair value is subject to the risk-based capital standards and must be risk weighted as an on-balance sheet asset.

Bank holding companies should note that commitments to originate mortgage loans that will be held for investment purposes and commitments to originate other types of loans are not considered derivatives. The unused portion of loan commitments that are not considered derivatives should continue to be reported in Schedule HC-L, item 1. Unused commitments with an original maturity exceeding one year are subject to the risk-based capital standards and must be reported in Schedule HC-R, item 53.

Accelerated Filing Deadline

The SEC recently adopted a final rule that maintains the 40 day filing deadline for June 30, 2006 and all subsequent quarters. Consistent with this rule change, the Federal Reserve will also maintain the 40-day filing deadline for FR Y-9C reports, and will not implement the 30 calendar days plus 5 business days filing deadline previously proposed to be effective with the June 30, 2006 reporting date. The December filing deadline for FR Y-9C filers will remain at 45 days after the report date.

The FR Y-9LP report is not subject to the accelerated deadline. The deadline for this report will remain at 45 days after the report date.

Edit Checklist

The staff of this Bank will monitor whether BHCs are meeting their basic reporting requirements through the use of "validity edits". Enclosed are the updates to these 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 BHCs the option of submitting their FR Y-11, FR 2314 and FR Y-12 reports electronically. Any BHC interested in submitting these reports electronically should contact Zina Rakhovich at (212) 720-8237 for information concerning the procedures for electronic transmission. BHCs choosing to submit these reports electronically must maintain in their files a signed printout of the data submitted.

Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-11, FR 2314 and FR Y-12 are 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 Katherine Tilghman in the Policy and Analysis Department at (212) 720-5935.

Sincerely,

-- Signed by Kenneth Lamar --

Kenneth P. Lamar
Vice President
Financial Reports Department

Attachment

Revisions to the FR Y-9C for March 31, 2006

Report Form

1. Schedule HI, memoranda items 10.a through 10.c, "Impact on income of derivatives held for purposes other than trading", have been eliminated.

2. Schedule HC, items 9 and 18; Schedule HC-L, item 5; and Schedule HC-M, item 10, all items related to the reporting of bankers acceptances, have been eliminated.

3. Schedule HC-B, item 5, "Asset-backed securities," has been revised to eliminate the six-way breakout of holdings of asset-backed securities, collecting only the total. New memoranda items have been added (5.a through 5.f) to collect the six-way breakout of holdings of asset-backed securities from bank holding companies with foreign offices or with $1 billion or more in total consolidated assets.

4. Schedule HC-C, item 9.a, "Loans for purchasing or carrying securities (secured or unsecured)," was added.

5. Schedule HC-F, item 5.a was revised to remove the threshold for reporting only amounts of life insurance assets that exceed 25% of other assets and new item 5, "Life insurance assets," was added. Therefore, all applicable life insurance assets are reported.

6. Schedule HC-L, item 7, "Credit derivatives," was revised to provide a breakout of notional amounts of credit derivatives by type of credit derivative (e.g. credit default swaps, total return swaps, credit options, and other).

7. Schedule HC-M, item 7, "Total assets of unconsolidated subsidiaries and associated companies", was deleted.

8. Schedule HC-R, memoranda item 2.g, "Notional principal amounts of credit derivatives contracts," was added to provide maturity distribution of investment grade and subinvestment grade credit derivatives.

9. Schedule HC-R, memoranda item 6, "Market risk equivalent assets attributable to specific risk," was added.

10. Schedule HC-S, column G, "All other loans and leases," was revised to "All loans, all leases, and all other assets."

Instructions

1. Schedule HI, memoranda item 11, "Credit losses on derivatives," was revised to report credit losses on derivatives net of recoveries.

2. Schedule HI-A, item 5.b., "Conversion or retirement of perpetual preferred stock," and 6.b, "Conversion or retirement of perpetual , "Conversion or retirement of common stock," was revised to include share-based employee compensation as equity.

3. Schedule HC-B, memoranda item 2, "Remaining maturity of debt securities," was revised to report the remaining maturity of holdings of floating rate debt securities according to the amount of time remaining until the next repricing date. The instructions were also expanded to define the terms of fixed interest rate, floating rate, and next repricing date.

4. Schedule HC-F, item 6, "Other," was revised to include customers' liability on acceptances outstanding in other assets.

5. Schedule HC-G, item 4, "Other," was revised to include liability on acceptances executed and outstanding in all other liabilities.

6. Schedule HC-K, item 11, "Equity capital," was revised to include net unrealized losses on marketable equity securities, other net unrealized gains and losses on available-for-sale securities, and accumulated net gains (losses) on cash flow hedges when calculating average equity capital.

7. Schedule HC-M, item 13.a, "real estate acquired in satisfaction of debts previously contracted," was revised to include foreclosed real estate arising from certain insured mortgage loans.

8. Schedule HC-R, item 9.a, "Less: Disallowed servicing assets and purchased credit card relationships," was revised to permit deduction of disallowed servicing assets on a basis that is net of a proportional amount of any associated deferred tax liability.

9. Schedule HC-R, memoranda item 2, "Notional amounts of derivatives contracts," was revised to include credit derivatives.

10. Schedule HC-S, memoranda items 2.a, 2.b, and 2.c, "Maximum

amount of credit exposure arising from recourse or other seller-provided credit enhancements," were revised to clarify that 1-4 family residential mortgages are closed-end mortgages.

11. The Glossary was revised for "Foreign Debt Exchange Transactions," subsection "Foreign currency transaction gains or losses to be excluded from the determination of net income."

Revisions to the FR Y-11/S for March 31, 2006

Report Form

1. Schedule BS-Balance Sheet, item 18.e, "General and limited partnership interests," was added. Items 18.e and 18.f were renumbered as 18.f and 18.g.

2. Balance Sheet, Memoranda items 2.a, "Number of loans and other assets in servicing portfolio," 2.b, "Dollar amount of loans and other assets in servicing portfolio," and item 3, "Loans and other assets that have been securitized and sold without recourse with servicing retained," were revised to capture securitization information on transactions involving assets other than loans.

Instructions

1. Schedule IS-A-Changes in equity capital, item 6, "Other adjustments to equity capital," was revised to include contributions and distributions to and from partners or limited liability company (LLC) shareholders when the company is a partnership or a LLC.

Revisions to the FR 2314/S for March 31, 2006

Report Form

1. Schedule BS-Balance Sheet, item 18.e, "General and limited partnership interests," was added. Items 18.e and 18.f were renumbered as 18.f and 18.g.

Instructions

1. Schedule IS-A-Changes in equity capital, item 6, "Other adjustments to equity capital," was revised to include contributions and distributions to and from partners or limited liability company (LLC) shareholders when the company is a partnership or a LLC.