

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 30, 2007

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, 2007

The following report forms and instructions for the March 31, 2007 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 reporting form has been revised to collect information on (1) sources of fair value measurements (effective with the adoption of FAS 157), (2) 1-4 family residential mortgage loans with terms that allow for negative amortization, (3) revenues from credit derivatives and related exposures, (4) construction, land development and other land loans, (5) loans secured by nonfarm nonresidential properties separated by owner-occupied and non owner-occupied, and (6) retail and commercial leases. New items have been added to collect more detail on

income from annuity sales, investment banking, advisory, and brokerage and underwriting.

The FR Y-11 and FR 2314 reporting forms have been revised to collect information on 1-4 family residential mortgage loans with terms that allow for negative amortization. Several clarifications have been made to the FR Y-9C, FR Y-11, and FR 2314 reporting instructions. There have been no changes to the FR Y-9LP and FR Y-12 for this quarter. Significant accounting updates have provided in this letter.

New Subscription Service

We are offering a subscription service which enables you to receive recent news and updates on our reporting forms and instructions and upcoming events. You can sign up for this new service at the following website:

http://service.govdelivery.com/service/subscribe.html?code=USFRBN_EWYORK_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 all FR Y-9C filers is Thursday, May 10, 2007. Any FR Y-9C reports received after 5:00 p.m. on May 10 will be considered late. The submission deadline for all FR Y-9LP filers is Tuesday, May 15, 2007. Any FR Y-9LP reports received after 5:00 p.m. on May 15 will be considered late. The submission deadline for the FR Y-12 is Tuesday, May 15, 2007. Any FR Y-12 reports received after 5:00 p.m. on May 15 will be considered late unless postmarked by Friday, May 11 or sent by overnight service on Monday, May 14. The submission deadline for the FR Y-11 and FR 2314 is Wednesday, May 30, 2007. 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 Tuesday, 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.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, Fair Value Measurements (FAS 157), issued in September 2006, defines fair value, establishes a framework for measuring the fair value of assets and liabilities based on a three level hierarchy, and expands disclosures about fair value measurements. The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or

liabilities that the reporting BHC has the ability to access at the measurement date (e.g., the FR Y-9C reporting date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a FR Y-9C report for any period of that fiscal year. Thus, a BHC with a calendar year fiscal year may voluntarily adopt FAS 157 as of January 1, 2007. For those financial instruments identified in FAS 157 to which the standard must be applied retrospectively upon initial application, the effect of initially applying FAS 157 to these instruments should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. This adjustment should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and may be separately described in the Notes to the Income Statement-Other.

FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), issued in February 2006, would allow BHCs to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a BHC may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A BHC may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A BHC's decision to elect the fair value option for an eligible item is irrevocable. A BHC that elects the fair value option is expected to apply sound risk management and control practices to the assets and liabilities that will be accounted for at fair value under the option.

FAS 159 is effective as of the beginning of a BHC's first fiscal year that begins after November 15, 2007, and should not be applied retrospectively to prior fiscal years, except as permitted in the standard's early adoption provisions. A BHC may adopt FAS 159 and elect the fair value option for existing eligible items as of the beginning of a fiscal year that begins on or before November 15, 2007, subject to the conditions set forth in the standard, one of which is a requirement to adopt all of the requirements of FAS 157 at the early adoption date of FAS 159 or earlier. Under the early adoption provisions of

FAS 159, a BHC with a calendar year fiscal year may adopt this standard as of January 1, 2007, provided it adopts FAS 157 as of that date or earlier. If a BHC elects the fair value option for eligible items that exist on the effective date of its adoption of FAS 159, the BHC must report the effect of the first remeasurement of these items to fair value as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. The difference between the carrying amount and the fair value of eligible items for which the fair value option is elected at the effective date should be removed from the balance sheet (Schedule HC) and included in the cumulative-effect adjustment. This adjustment should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and may be separately described in the Notes to the Income Statement—Other.

A new Schedule HC-Q, Financial Assets and Liabilities Measured at Fair Value, has been added to the FR Y-9C report this quarter. Schedule HC-Q is to be completed by BHCs that have adopted FAS 157 and either (1) have elected the fair value option under FAS 159 or under FASB Statements No. 155 or 156, which are discussed below (BHCs that meet this criteria must complete all items on Schedule HC-Q), or (2) are required to complete Schedule HC-D, Trading Assets and Liabilities (BHCs that meet this criteria but do not meet criteria (1) must complete only Schedule HC-Q items 2 and 5, and leave items 1, 2.a, 3, 4, 6 and 7 blank).

FASB Statement No. 158 on Defined Benefit Postretirement Plans

FASB Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158), issued in September 2006, requires a BHC that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a BHC initially applies FAS 158, the postretirement plan amounts recognized on the BHC's balance sheet before applying FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a BHC must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently

recognized in earnings as components of the plans' net periodic benefit cost.

Bank holding companies that sponsor single-employer defined benefit postretirement plans must adopt FAS 158 for regulatory reporting purposes in accordance with the standard's effective date and transition provisions. Accordingly, BHCs that have "publicly traded equity securities," as defined in FAS 158, must initially recognize the funded status of these plans as of the end of the fiscal year ending after December 15, 2006. All other BHCs must initially recognize the funded status of these plans as of the end of the fiscal year ending after June 15, 2007. Thus, BHCs that have a calendar year fiscal year must adopt FAS 158 as of December 31, 2006, if they have "publicly traded equity securities" and as of December 31, 2007, if they do not. Early adoption of FAS 158 is permitted, but must be for all of an institution's benefit plans. For FR Y-9C reporting purposes, BHCs should report the adjustments to the ending balance of AOCI from initially applying FAS 158 as of the end of their fiscal year, net of tax, in item 12, "Other comprehensive income," of Schedule HI-A, Changes in Equity Capital.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, BHCs should exclude from regulatory capital any amounts recorded in AOCI resulting from the adoption and application of FAS 158. For FR Y-9C purposes, these excluded amounts should be reported in item 4 of Schedule HC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule HC, item 26.b) for defined benefit postretirement plans under FAS 158 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule HC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule HC-R.

For purposes of calculating risk-based capital and the leverage ratio, BHCs should also adjust their assets for the amount of the AOCI offset affecting assets. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying FAS 158 should be reported as an adjustment to assets in item 42 of Schedule HC-R, column B, and should also be reported in item 26 of Schedule HC R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying FAS 158 should be recorded as a negative amount in item 42, column B, of Schedule HC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in

item 26 of Schedule HC-R. As another example, a benefit plan surplus asset recognized as an offset to AOCI and included in item 42, column A, of Schedule HC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting this amount as a positive number in item 26 of Schedule HC-R. The adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

Quantifying FR Y-9 Report Misstatements

The staff of the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), in September 2006 (<http://www.sec.gov/interps/account/sab108.pdf>). This guidance has been codified as Topic 1.N. in the Codification of Staff Accounting Bulletins. According to SAB 108, the effects of prior year misstatements should be considered when quantifying misstatements in current year financial statements.

SAB 108 describes two approaches, generally referred to as "rollover" and "iron curtain," that have been commonly used to accumulate and quantify misstatements. The rollover approach "quantifies a misstatement based on the amount of the error originating in the current year income statement," which "ignores the 'carryover effects' of prior year misstatements." In contrast, the iron curtain approach "quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origination." Because each of these approaches has its weaknesses, SAB 108 advises that the impact of correcting all misstatements on current year financial statements should be accomplished by quantifying an error under both the rollover and iron curtain approaches and by evaluating the error measured under each approach. When either approach results in a misstatement that is material, after considering all relevant quantitative and qualitative factors, an adjustment to the financial statements would be required. Guidance on the consideration of all relevant factors when assessing the materiality of misstatements is provided in the SEC's Staff Accounting Bulletin No. 99, *Materiality* (SAB 99), which has been codified as Topic 1.M. in the Codification of Staff Accounting Bulletins (<http://www.sec.gov/interps/account/sab99.htm>).

Because of prior year misstatements, SAB 108 observes that when the correction of an error in the current year would materially misstate the current year's financial statements, the

prior year financial statements should be corrected. However, SAB 108 provides transition guidance under which financial statements for fiscal years ending on or before November 15, 2006, need not be restated "if management properly applied its previous approach, either iron curtain or rollover," and considered all relevant qualitative factors when assessing materiality. In this situation, the effects of initially applying SAB 108 should be reported in the annual financial statements covering the first fiscal year ending after November 15, 2006. This would be accomplished by reporting the cumulative effect of the initial application of SAB 108 in the carrying amounts of assets and liabilities as of the beginning of the fiscal year, and making an offsetting adjustment to the opening balance of retained earnings for that year.

For regulatory reporting purposes, BHCs should apply the guidance from SAB 108 and SAB 99 when quantifying the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on their current year regulatory reports. In this regard, BHCs may also apply the transition guidance in SAB 108 for regulatory reporting purposes.

Accordingly, BHCs with calendar year fiscal years (and with November 30 fiscal years) should first apply the SAB 108 error quantification guidance in their regulatory reports for December 31, 2006. Bank holding companies with other fiscal years should first apply SAB 108 in their regulatory reports for the calendar quarter in 2007 that includes their fiscal year-end date, but such BHCs may adopt the SAB 108 guidance in their December 31, 2006, regulatory reports. For FR Y-9C reports, the cumulative effect of the initial application of SAB 108 on the opening balance of retained earnings as of the beginning of the fiscal year of initial application (i.e., as of the beginning of 2006 for BHCs with calendar year fiscal years) should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and each error correction may be separately described in the Notes to the Income Statement—Other.

FASB Interpretation No. 48 on Uncertain Tax Positions

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, Accounting for Income Taxes. Under FIN 48, the term "tax position" refers to "a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities." FIN 48 further states that a "tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes

otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets."

According to FIN 48, a BHC should initially recognize the effects of a tax position in its financial statements when, based on the technical merits, it is more likely than not (i.e., a likelihood of more than 50 percent) that the position will be sustained upon examination by the taxing authority, including the resolution of any related appeals or litigation. The more-likely-than-not evaluation must consider the facts, circumstances, and information available at the report date. When a tax position meets the more-likely-than-not recognition threshold, it should initially and subsequently be measured as the largest amount of tax benefit greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. FIN 48 also provides guidance on subsequent recognition, derecognition, and measurement of tax positions, including the effect of changes in judgment, and on the recognition of interest and penalties.

Bank holding companies must adopt FIN 48 for regulatory reporting purposes for fiscal years beginning after December 15, 2006. FIN 48 permits earlier adoption as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a regulatory report for any period of that fiscal year. Because FIN 48 was issued in June 2006, i.e., after the filing of the March 31, 2006, FR Y-9C or FR Y-9LP reports, a BHC with a calendar year fiscal year may not adopt FIN 48 early and must begin to apply this interpretation as of January 1, 2007.

FASB Statement No. 156 on Servicing

FASB Statement No. 156, Accounting for Servicing of Financial Assets (FAS 156), issued in March 2006, requires all separately recognized servicing assets and liabilities to be initially measured at fair value. It then permits an entity to choose to subsequently measure each class of servicing assets and liabilities at fair value with changes in fair value recognized in earnings. If fair value is not elected, each class of servicing is subsequently accounted for using the amortization method that applied to all servicing assets and liabilities prior to the issuance of FAS 156. A BHC identifies its classes of servicing assets and liabilities based on the availability of market inputs for estimating their fair value, its method for managing the risks of its servicing assets and liabilities, or both. A BHC's election of the fair value option for a class of servicing is irreversible. The election can be made for an individual class of servicing assets and liabilities upon

adoption of FAS 156 or at the beginning of any subsequent fiscal year.

Bank holding companies must adopt FAS 156 for FR Y-9 reporting purposes as of the beginning of their first fiscal year that begins after September 15, 2006. Earlier adoption of FAS 156 is permitted as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a FR Y-9 report for any period of that fiscal year. Thus, a BHC with a calendar year fiscal year must adopt FAS 156 as of January 1, 2007, unless it elected earlier adoption and applied FAS 156 in its originally filed March 31, 2006 FR Y-9C/FR Y-9LP.

When reporting the carrying amount of mortgage servicing assets (FR Y-9C: Schedule HC-M, item 12.a; FR Y-9LP: Schedule PC, item 7.b;) and nonmortgage servicing assets in FR Y-9C Schedule HC-M, item 12.b, BHCs should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for at fair value. The fair value of all recognized mortgage servicing assets should be reported in FR Y-9C Schedule HC-M, item 12.a.(1), regardless of the measurement method applied to these assets. The servicing asset carrying amounts reported in Schedule HC-M, items 12.a and 12.b, even if these amounts include fair values, should be used when determining the lesser of 90 percent of the fair value of these assets and 100 percent of their carrying amount for regulatory capital calculation purposes in Schedule HC-R. Changes in the fair value of any class of servicing assets to which the fair value option is applied should be included in earnings in Schedule HI, item 5.f, "Net servicing fees."

FASB Statement No. 155 on Hybrid Financial Instruments

FASB Statement No. 155, Accounting for Certain Hybrid Financial Instruments (FAS 155), issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133 (FAS 133) on derivatives. Bifurcation is required when the economic characteristics and risks of the embedded derivative are not clearly and closely related economically to the economic characteristics and risks of the host contract and certain other conditions are met. Under the fair value option in FAS 155, a BHC may irrevocably elect to initially and subsequently measure an eligible hybrid financial instrument in its entirety at fair value, with changes in fair value recognized in earnings. The

election can be made on an instrument-by-instrument basis, but must be supported by appropriate documentation. In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

For FR Y-9 reporting purposes, FAS 155 must be applied to all financial instruments acquired, issued, or subject to a remeasurement event (as defined in the standard) occurring after the beginning of a BHC's first fiscal year that begins after September 15, 2006. The fair value option may also be applied upon adoption of FAS 155 to a BHC's existing hybrid financial instruments that had been bifurcated prior to adoption. Earlier adoption of FAS 155 is permitted as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a FR Y-9 series report for any period of that fiscal year. Thus, a BHC with a calendar year fiscal year must adopt FAS 155 as of January 1, 2007, unless it elected earlier adoption and applied FAS 155 in its originally filed March 31, 2006 FR Y-9C/FR Y-9LP report.

Following a BHC's adoption of FAS 155, hybrid financial instruments to which the fair value option has been applied should not be reclassified as trading assets or trading liabilities for FR Y-9 reporting purposes solely due to the election of this option. Such hybrid financial instruments should continue to be reported in the asset or liability category appropriate to the instrument. If a hybrid financial instrument to which the fair value option has been applied is a security, it should be included in available-for-sale securities on the balance sheet (FR Y-9C: Schedule HC, item 2.b; FR Y-9LP: Schedule PC, item 2) and the security's fair value should be reported in (FR Y-9C: columns C and D of Schedule HC-B, Securities; FR Y-9LP: Schedule PC-B, item 11.a). Changes in the fair value of hybrid financial instruments to which the fair value option is applied should be reported consistently in the income statement either as "Other noninterest income" (FR Y-9C: Schedule HI, item 5.1; FR Y-9LP: Schedule PI, item 1.e) or "Other noninterest expense" (FR Y-9C: Schedule HI, item 7.d; FR Y-9LP: Schedule PI, item 2.d).

The Federal Reserve is currently reviewing the regulatory capital implications of FAS 155, and more broadly, the use of the fair value option. Except as discussed below, changes in the fair value of hybrid instruments that are recognized in earnings should be reflected in Tier 1 capital pending further guidance from the Federal Reserve. In the interim, for a hybrid financial instrument to which the fair value option is applied that is an asset, the embedded derivative should not be bifurcated from the host contract for risk-based capital purposes in FR Y-9C Schedule HC-R. For a hybrid financial instrument to which the fair value

option is applied that is a liability, a BHC should exclude the portion of the change in the fair value of the instrument that is attributable to a change in the BHC's own creditworthiness from Tier 1 capital.

For regulatory capital purposes, this excluded portion of the change in fair value is, in essence, an adjustment to the BHC's reported retained earnings and should be taken into account in determining the Tier 1 capital subtotal (reported in Schedule HC-R, item 8) that is used to determine the regulatory capital limits on such items as servicing assets, deferred tax assets, and credit-enhancing interest-only strips.

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, 2007

Report Form

Fair Value Changes

1. A new item (memorandum item 6.i, "Net change in the fair values of financial instruments accounted for under a fair value option") was added to Schedule HI to include the net unrealized gains (losses) in fair value for instruments accounted for under the fair value option.
2. Schedule HC-Q was added to collect information on financial assets and liabilities measured at fair value under FAS 157 and FAS 159.
3. A new item (item 7.b, "Cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank holding company's own creditworthiness") was added to Schedule HC-R. Item 7 was renumbered to item 7.a.

Negative Amortization

1. A new item (memorandum item 16, "Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties") was added to Schedule HI.
2. New items (memoranda items 6.a, "Total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties", 6.b, "Total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties", and 6.c, "Total amount of negative amortization on closed-end loans secured by 1-4 family residential properties") were added to Schedule HC-C to capture the negative amortization features of loans.

Loan and Expense Detail

1. New items were added to Schedule HI, item 5.d, "Investment banking, advisory, brokerage, and underwriting fees and commissions", to separate (1) fees and commissions from securities brokerage, (2) investment

- banking, advisory, and underwriting fees and commissions, and (3) fees and commissions from annuity sales. Items 5.h.(1) and 5.h.(2) were renumbered to 5.d.(4) and 5.d.(5), and the title for 5.d.(5) was revised to "Income from other insurance activities".
2. Schedule HI-B, Part I, item 8, "Lease financing receivables", was revised to separate (1) leases to individuals for household, family, and other personal expenditures and (2) all other leases. This replaces the previous items for lease financing receivables (1) to U.S. addressees and (2) to non-U.S. addressees.
 3. New items (memoranda items 4.a and 4.b) were added to Schedule HI-B, Part I to collect information on charge-offs and recoveries of 1-4 family residential construction loans and all land development and other construction and land loans.
 4. New items (memoranda items 5.a and 5.b) were added to Schedule HI-B, Part I to collect information on charge-offs and recoveries of loans secured by owner-occupied nonfarm nonresidential properties and loans secured by other nonfarm nonresidential properties.
 5. Schedule HC-C, item 10, "Lease financing receivables (net of unearned income)", was revised to separate (a) leases to individuals for household, family, and other personal expenditures and (b) all other leases. This replaces the previous items for lease financing receivables (a) to U.S. addressees and (b) to non-U.S. addressees.
 6. New items (memoranda items 7.a, "1-4 family residential construction loans", and 7.b, "Other construction loans and all land development and other land loans") were added to Schedule HC-C.
 7. New items (memoranda items 8.a, "Loans secured by owner-occupied nonfarm nonresidential properties", and 8.b, "Loans secured by other nonfarm nonresidential properties") were added to Schedule HC-C.
 8. Schedule HC-L, item 1.c.(1), "Commitments to fund commercial real estate, construction, and land development loans secured by real estate", was revised to separate (a) 1-4 family residential construction loans commitments, and (b) commercial real estate, other construction loan, and land development loan commitments.

9. Schedule HC-N, item 8, "Lease financing receivables", was revised to separate (a) leases to individuals for household, family, and other personal expenditures and (b) all other leases. This replaces the previous items for lease financing receivables to U.S. addressees and to non-U.S. addressees.
10. New items (memoranda items 9.a and 9.b) were added to Schedule HC-N to collect past due and nonaccrual information on 1-4 family residential construction loans and all land development and other construction and land loans.
11. New items (memoranda items 10.a and 10.b) were added to Schedule HC-N to collect past due and nonaccrual information on loans secured by owner-occupied nonfarm nonresidential properties and loans secured by other nonfarm nonresidential properties.
12. A new item (item 5, "Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans") was added to Schedule HC-P.

Credit Derivatives

1. A new item (memorandum item 9.e, "Credit exposures") was added to Schedule HI to include net gains (losses) from trading cash instruments and derivative contracts that the BHC manages as credit exposures.
2. New items (memoranda items 10.a, "Net gains (losses) on credit derivatives held for trading", and 10.b, "Net gains (losses) on credit derivatives held for purposes other than trading") were added to Schedule HI to include net gains (losses) recognized in earnings on credit derivatives.

Instructions

1. Schedule HC-E, items 1.d, 1.e, 2.d, 2.e, and memoranda items 1 and 2 were revised to clarify the reporting treatment of brokered deposits that have been participated out by the broker in shares of less than \$100,000.
2. Schedule HC-L, item 1, "Unused commitments", was revised to clarify that the unused portions of revolving asset-based lending commitments are to be measured as the difference between the lesser of the contractual borrowing

base or the note commitment limit and the sum of outstanding loans and letters of credit under the commitment.

3. Schedule HC-S, memorandum item 2, "Outstanding principal balance of assets serviced for others" was revised to specifically include the participations serviced by others.
4. The glossary entry for "Brokered Retail Deposits" was revised to discuss broker retail deposits issued in \$1,000 amounts under a master certificate of deposit.
5. The glossary entry for "Fair Value" was added to describe fair value measurement.

Revisions to the FR Y-11 for March 31, 2007

Report Form

1. A new item (memorandum item 1, "Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties") was added to Schedule IS.
2. New items (memoranda items 1.a, 1.b, and 1.c) were added to Schedule BS-A to include closed-end loans with negative amortization features secured by 1-4 family residential properties.

Instructions

1. General Instructions were revised to clarify the quarterly filing requirements and the definition of related organizations as well as delete a frequency of reporting instruction that is no longer applicable.
2. Schedule IS, item 1.b, "Interest and fee income from related organizations," and item 11, "Equity in undistributed income (loss) of subsidiary(s)," were revised to indicate that dividends paid by subsidiaries should be reported in item 1.b.
3. Schedule IS, item 5.a.(4), "Investment banking, advisory, brokerage, and underwriting fees and commissions", and item 5.a.(8), "Insurance commissions and fees", were revised to change the reporting of income from certain sales of annuities from item 5.a.(8) to item 5.a.(4).
4. Schedule BS, item 7, "All other assets", and item 9, "Balances due from related institutions, gross", were revised to clarify that the subsidiary's investment in all subsidiaries and associated companies less any dividends paid or declared should be reported in item 9.

Revisions to the FR 2314 for March 31, 2007

Report Form

1. A new item (memorandum item 1, "Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties") was added to Schedule IS.
2. New items (memoranda items 1.a, 1.b, and 1.c.) were added to Schedule BS-A to include closed-end loans with negative amortization features secured by 1-4 family residential properties.

Instructions

1. General Instructions were revised to clarify the quarterly filing requirements and the definition of related organizations as well as delete a frequency of reporting instruction that is no longer applicable.
2. Schedule IS, item 1.b, "Interest and fee income from related organizations," and item 11, "Equity in undistributed income (loss) of subsidiary(s)," were revised to indicate that dividends paid by subsidiaries should be reported in item 1.b.
3. Schedule IS, item 5.a.(4), "Investment banking, advisory, brokerage, and underwriting fees and commissions", and item 5.a.(8), "Insurance commissions and fees", were revised to change the reporting of income from certain sales of annuities from item 5.a.(8) to item 5.a.(4).
4. Schedule BS, item 7, "All other assets", and item 9, "Balances due from related institutions, gross", were revised to clarify that the subsidiary's investment in all subsidiaries and associated companies less any dividends paid or declared should be reported in item 9.
5. The section "Notes to the Financial Statements" was added to allow respondents the opportunity to provide, at their option, any material information included in specific data items on the financial statements that the parent U.S. banking organization wishes to explain.