

FEDERAL RESERVE BANK *of* NEW YORK

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RICHARD ROBERTS

STATISTICS OFFICER

March 29, 2013

To: The Individual Responsible for Preparing the Consolidated Financial Statements for Holding Companies (FR Y-9C) Located in the Second Federal Reserve District

Subject: Holding Companies Reporting Requirements for March 31, 2013

The following report forms and instructions for the March 31, 2013 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

- (1) Consolidated Financial Statements for Holding Companies (FR Y-9C);
- (2) Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP);
- (3) Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11);
- (4) Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314); and
- (5) Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12).

There have been changes to the FR Y-9C, FR Y-9LP, FR Y-11 and FR Y-12 reporting forms and instructions for this quarter. There have been no changes to FR 2314 reporting forms for this quarter. The FR Y-9C reporting form has been modified to add new Schedule HI-C, Disaggregated Data on the Allowance for Loan and Lease Losses, add certain legal citations with respect to savings and loan holding companies (SLHCs), and throughout most of the report change the phrase "bank holding company(ies)" to "holding company(ies)" to recognize that the report is also filed by savings and loan holding companies and by securities holding companies. The FR Y-9C instructions have been modified to address the above mentioned reporting form changes, to clarify reporting of information on Schedule HC-R, Regulatory Capital, related to the market risk rule, and to clarify the reporting of information on other than temporary impairment on Schedule HI, Income Statement. The FR Y-9LP, FR Y-11 and FR Y-12 reporting forms and instructions have been modified to change the phrase "bank holding company(ies)" to "holding company(ies)" to recognize that the report is also filed by savings and loan holding companies

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and by securities holding companies. The revised instruction (data edits) pages for the FR Y-9C, and FR Y-11 have vertical black lines in the margins to annotate revisions.

Supplemental instructions concerning current accounting and reporting issues affecting the FR Y-9 series of reports are provided in this letter. A summary of significant updates to the FR Y-9C, FR Y-9LP and FR Y-11 and FR Y-12 reporting forms and instructions is included in the Attachment.

Subscription Service

We offer 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 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 holding companies (HCs) 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 HCs 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 Friday, May 10, 2013. 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 Wednesday, May 15, 2013. 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 May 15, 2013. Any FR Y-12 reports received after 5:00 p.m. on May 15 will be considered late unless postmarked by Monday, May 13 or sent by overnight service on Tuesday, May 14. The submission deadline for the **FR Y-11** and **FR 2314** is Thursday, May 30, 2013. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on May 30 will be considered late unless postmarked by Tuesday, May 28 or sent by overnight service on Wednesday, 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:

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**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 HCs 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 HC's electronic data submission to the published validity and quality edit checks and transmit the results of such checks to the HC shortly thereafter. The HC must resolve any validity edit before the data can be accepted. The validity and quality edits are provided at the end of the reporting instructions for the FR Y-9C and FR Y-9LP. The HC will also be provided a method for supplying explanations for quality edits. (Guidelines for providing quality explanations can be found at: <http://www.frbservices.org/centralbank/reportingcentral/iesub.html>. 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 HCs 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:

<http://www.frbservices.org/centralbank/reportingcentral/iesub.html>.

Reporting Issues Associated with Savings and Loan Holding Companies Filing the FR Y-9 Reports

Income Statement

The FR Y-9 income statements must be prepared on a calendar year-to-date basis, regardless of an institution's fiscal year, rather than on a quarterly basis as was done in TFR Schedule HC. Further, for purposes of the FR Y-9 series of reports, a SLHC should report income from its savings association(s), nonbank subsidiary(s) and subsidiary savings and loan holding company(s) (as defined in section 238.2 of Regulation LL) following the same guidelines and accounting rules set forth in the reporting instructions for a **bank** holding company.

Regulatory Capital Schedule

SLHCs should note that they are not required to complete Schedule HC-R, Regulatory Capital, until the consolidated regulatory capital requirements for SLHCs are established.

Nonbank Subsidiary

FR Y-9LP, Schedule PC-B, Memoranda items 15(a) through 15(f), collect information on nonbank subsidiaries of bank holding companies. However for SLHCs the definition of a nonbank does not include its thrift (as defined in Section 238.2 of Regulation LL) and, therefore, the SLHC should not report its thrift in items 15(a) through 15(h). *For purpose of this report, a SLHC should report income from and its investment in its savings association(s), nonbank subsidiary(s), and subsidiary SLHC(s) following the same guidelines and accounting rules set forth in these instructions for a bank holding company. Income should be reporting in Schedule PI and investments activities should be reported in Schedule PC-A.*

“Purchased” Loans Originated By Others

When acquiring loans originated by others, institutions should consider whether the transaction should be accounted for as a purchase of the loans or as a secured borrowing in accordance with Accounting Standards Codification (ASC) Topic 860, Transfers and Servicing (formerly FASB Statement No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” as amended). For the transaction to qualify for sale accounting:

- First, unless the transfer is of an entire financial asset, the transferred portion of the financial asset must meet the definition of a participating interest.
- Second, the transfer must meet all of the conditions set forth in Subtopic 860-10 to demonstrate that the transferor has surrendered control over the transferred financial assets.

For example, some institutions have entered into various residential mortgage loan purchase programs. These programs often function like traditional warehouse lines of credit; however, in some cases, the mortgage loan transfers are legally structured as purchases by the institution rather than as pledges of collateral to secure the funding. Under these programs, an institution provides funding to a mortgage loan originator while simultaneously obtaining an interest in the mortgage loans subject to a takeout commitment. A takeout commitment is a written commitment from an approved investor (generally, an unrelated third party) to purchase one or more mortgage loans from the originator.

Although the facts and circumstances of each program must be carefully evaluated to determine the appropriate accounting, an institution should generally account for a mortgage purchase program with continuing involvement by the originator, including takeout commitments, as a secured borrowing with pledge of collateral, i.e., a loan to the originator secured by the residential mortgage loans, rather than a purchase of mortgage loans.

When loans obtained in a mortgage purchase program do not qualify for sale accounting, the financing provided to the originator (if not held for trading purposes) should be reported in FR Y-9C Report Schedule HC-C, part I, item 9.a, “Loans to nondepository financial institutions,” and on the balance sheet in Schedule HC, item 4.a, “Loans and leases held for sale,” or item 4.b, “Loans and leases, net of unearned income,” as appropriate. For risk-based capital purposes, a loan to a mortgage loan originator secured by residential a mortgage that is reported in Schedule HC-C, part I, item 9.a, should be assigned a 100 percent risk weight and included in column F of Schedule HC-R, item 38 or 39, based on its balance sheet classification.

Market Risk Capital Rules

In August 2012, the agencies published a joint final rule revising their market risk capital rules effective January 1, 2013. The joint final rule modified the definition of a covered position, revised the calculation of the measure for market risk, and eliminated Tier 3 capital. Institutions subject to the market risk capital rules should report their market risk equivalent assets in item 58 of Schedule HC-R, Regulatory Capital, in accordance with the revised rules. This quarter’s FR Y-9C instruction book update includes revisions to the portions of the instructions for Schedule HC-R affected by the revised market risk capital rules.

Indemnification Assets and Accounting Standards Update No. 2012-06

In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, “Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution,” to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007), “Business Combinations”), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

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Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU's provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for FR Y-9C reporting purposes in accordance with the effective date of this standard.

For additional information, institutions should refer to ASU 2012-06, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Goodwill Impairment Testing

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets").

Under ASU 2011-08, a holding company has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350, but may choose to bypass the qualitative assessment in any period and proceed directly to the two-step goodwill impairment test. The ASU includes examples of events and circumstances that a holding company should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

See this quarter's Call Report Instruction book for a new Glossary entry for "Goodwill" that summarizes the impairment testing requirements for goodwill. The FR Y-9C Glossary will be updated next quarter.

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For additional information, please refer to ASU 2011-08, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Small Business Lending Fund

The Small Business Lending Fund (SBLF) was created in 2010 to encourage lending to small businesses by providing capital to qualified community institutions. The SBLF Program is administered by the U.S. Treasury Department (<http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When issued by a holding company, this stock should be reported on the FR Y-9C balance sheet (Schedule HC) in item 23, "Perpetual preferred stock and related surplus." [For the FR Y-9LP, Schedule PC, item 20.a; for the FR Y-9SP, Schedule SC, item 16.a] For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital and should be included in the amount reported for "Total bank holding company equity capital" in item 1 of Schedule HC-R, Regulatory Capital.

Qualifying Subchapter S corporations and mutual institutions issued unsecured subordinated debentures to the Treasury Department through the SBLF. Holding companies that issued these debentures should report them on the FR Y-9C balance sheet (Schedule HC) in item 19.a, "Subordinated notes and debentures." [For the FR Y-9LP, Schedule PC, item 16, "Subordinated notes and debentures;" for the FR Y-9SP, Schedule SC, item 11, "Long-term borrowings."] For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital. Institutions should report the portion of these debentures that qualify for inclusion in Tier 2 capital in accordance with the Federal Reserve's capital standards in Schedule HC-R, item 12, "Qualifying subordinated debt, redeemable preferred stock, and restricted core capital elements."

To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them. An institution's redemption of CPP noncumulative perpetual preferred stock should be reported in Schedule HI-A, item 5.b, "Conversion or retirement of perpetual preferred stock," [for the FR Y-9LP, Schedule PI-A, part III, item 10, "Payment to repurchase preferred

stock”] and a reduction to zero of balances reported in Schedule HC-M, item 24.a, “Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Senior perpetual preferred stock or similar items.” Any repurchase of warrants classified as equity capital on the balance sheet (Schedule HC), should also be reported in Schedule HI-A, item 14, “Other adjustments to equity capital,” and a reduction to zero of balances reported in Schedule HC-M, item 24.a, “Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items.”

Troubled Debt Restructurings and Current Market Interest Rates

Many institutions are restructuring or modifying the terms of loans through workout programs, renewals, extensions, or other means to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

The stated interest rate charged the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans to nontroubled borrowers at the time of the restructuring. Some institutions have concluded that these restructurings are not TDRs; however, this conclusion may be inappropriate. In reaching this conclusion, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar credits does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and

circumstances is necessary to determine whether the holding company has made a concession to the borrower with respect to the market interest rate or has made some other type of concession that could trigger TDR accounting and disclosure (for example, terms or conditions outside of the holding company's policies or common market practices) If TDR accounting and disclosure is appropriate, the holding company must determine how the modified or restructured loan should be reported.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

An institution that restructures a loan to a borrower experiencing financial difficulties at a rate below a market interest rate has granted a concession to the borrower that results in the restructured loan being a TDR. (As noted above, other types of concessions could also result in a TDR.) In the FR Y-9C report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported the appropriate loan category in Schedule HC-C, items 1 through 9, and in the appropriate loan category in:

- Schedule HC-C, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule HC-N, Memorandum item 1, if it is not in compliance with its modified terms.

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However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule HC-C, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must be in accrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, “Accounting by Creditors for Impairment of a Loan,” as amended), and the Glossary entry for “Loan Impairment.” Consistent with ASC Subtopic 310-10, TDRs may be aggregated and measured for impairment with other impaired loans that share common risk characteristics by using historical statistics, such as average recovery period and average amount recovered, along with a composite effective interest rate. The outcome of applying such an aggregation approach must be consistent with the measurement methods prescribed in ASC Subtopic 310-10 and the “Loan Impairment” Glossary entry for loans that are individually considered impaired (i.e., the present value of expected future cash flows discounted at the loan's original effective interest rate or the loan's observable market price if the loan is not collateral dependent; the fair value of the collateral – less estimated costs to sell, if appropriate – if the loan is collateral dependent). Thus, an institution applying the aggregation approach to TDRs should not use the measurement method prescribed in ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, “Accounting for Contingencies”) for loans not individually considered impaired that are collectively evaluated for impairment. When a loan not previously considered individually impaired is restructured and determined to be a TDR, absent a partial charge-off, it generally is not appropriate for the impairment estimate on the loan to decline as a result of the change in impairment method prescribed in ASC Subtopic 450-20 to the method prescribed in ASC Subtopic 310-10.

For further information, see the Glossary entry for “Troubled Debt Restructurings” and the instructions for Schedules HC-C and HC-N.

Troubled Debt Restructurings and Accounting Standards Update No. 2011-02

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring,” to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also

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intended to reduce diversity in practice in identifying and reporting TDRs. This ASU is effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application will be applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public bank holding companies, the ASU took effect July 1, 2011, but retrospective application began as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic bank holding companies, the ASU took effect January 1, 2012.) Early adoption of the ASU was permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement.

Holding companies are expected to continue to follow the accounting and reporting guidance on TDRs in the preceding section of these Supplemental Instructions and in the FR Y-9C instruction book. To the extent the guidance in the ASU differs from a holding company's existing accounting policies and practices for identifying TDRs, the holding company will be expected to apply the ASU for FR Y-9C reporting purposes in accordance with the standard's effective date and transition provisions, which are outlined above. To the extent that a holding company's existing accounting policies and practices are consistent with guidance in the ASU, the holding company should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section "Troubled Debt Restructurings and Current Market Interest Rates" must exist in order for a loan modification to be deemed a TDR: (1) a company must grant a concession to the borrower as part of the modification and (2) the borrower must be experiencing financial difficulties. The ASU explains that a company may determine that a borrower is experiencing financial difficulties if it is probable that the borrower will default on any of its debts in the foreseeable future. The borrower does not have to be in default at the time of the modification. Other possible factors that should be considered in evaluating whether a borrower is experiencing financial difficulties is if the borrower has declared (or is in the process of declaring) bankruptcy, the creditor does not expect the borrower's cash flows to be sufficient to service its debt under the existing terms, or there is substantial doubt about an entity's ability to continue as a going concern.

Another important aspect of the ASU is that it prohibits financial institutions from using the effective interest rate test included in the TDR guidance for borrowers in ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors, when determining whether the creditor has granted a concession as part of a loan modification. However, as explained in ASU 2011-02, if a borrower does not have access to funds at a market rate of interest for similar debt, the rate

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on the modified loan is considered to be a below-market rate and may be an indicator that the company has granted a concession to the borrower.

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of a loan modification. If, after analysis of all facts and circumstances, a creditor determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan's unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

For additional information, bank holding companies should refer to ASU 2011-02, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498>.

Prepaid Deposit Insurance Assessments

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was paid on December 30, 2009. The original full amount of each institution's prepaid assessment was included on its Quarterly Certified Statement Invoice for the third quarter 2009 Insurance Period, which was available on *FDICconnect*, the FDIC's e-business portal, as of December 15, 2009.

Each holding company should record the estimated expense for its bank subsidiary's regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). As a result of the interaction between the prepaid assessments and the regularly quarterly assessments, the remaining amount of the prepaid assessments asset, if any, that a holding company should report as a prepaid expense in its March 31, 2013, FR Y-9C report normally should be:

- The remaining balance of "Prepaid Assessments Credits" shown on the Summary Statement of Assessment Credits page of the bank subsidiary's Quarterly Certified Statement Invoice for the October 1 through December 31, 2012, Insurance Period, which was available on *FDICconnect* as of March 15, 2013;
- Less the estimated amount of the subsidiary's regular quarterly assessment for the first quarter of 2013 (which should have been accrued as a charge to expense during the first

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quarter of 2013). The quarterly assessment for the first quarter of 2013 should be estimated based on the provisions of the FDIC's February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions. For further information on this final rule, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at <http://www.fdic.gov/news/news/financial/2011/fil11008.html>

An institution's prepaid assessments asset, if any, should be reported in Schedule HC-F, item 6, "All other assets." The year-to-date deposit insurance assessment expense for 2012 should be reported in Schedule HI, item 7.d, "Other noninterest expense." When completing Schedule HC-R, Regulatory Capital, a bank holding company may assign a zero-percent risk weight to the amount of its consolidated prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, refer to FDIC Financial Institution Letter (FIL) 63-2009 at <http://www.fdic.gov/news/news/financial/2009/fil09063.html>.

For further guidance on reporting regular quarterly deposit insurance assessments, refer to the Call Report Supplemental Instructions for September 30, 2009, at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf.

Reporting Defined Benefit Postretirement Plans

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158)) requires an institution 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. An institution should measure the net period benefit cost of a defined benefit plan for a reporting period in accordance with ASC Subtopic 715-30 (formerly FASB Statement No. 87, "Employers' Accounting for Pensions") for pension plans and ASC Subtopic 715-60 (formerly FASB Statement No. 106, "Employers' Accounting for Postretirement Benefit Other Than Pensions for other postretirement benefit plans).

For regulatory capital purposes, institutions should reverse the effects on accumulated other comprehensive income (AOCI) of applying ASC Subtopic 715-20, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based

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capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effect on AOCI of the application of ASC Subtopic 715-20.

See this quarter's Call Report instruction book for a new Glossary entry for "Defined Benefit Postretirement Plans" that describes certain aspects of the accounting and reporting for such plans. The FR Y-9C Glossary will be updated next quarter.

Treasury Department's Community Development Capital Initiative Program

Bank holding companies should continue to follow the guidance regarding reporting related to the Treasury Department's Community Development Capital Initiative Program that was included in the FR Y-9C Supplemental Instructions for September 30, 2012. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201209.pdf).

Reporting Purchased Subordinated Securities in Schedule HC-S

Holding companies should continue to follow the guidance on reporting purchased subordinated securities in Schedule HC-S that was included in the FR Y-9C Supplemental Instructions for September 30, 2012. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201209.pdf).

Consolidated Variable Interest Entities

Holding companies should continue to follow the guidance on reporting and accounting for consolidated variable interest entities that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Treasury Department's Capital Purchase Program

Holding companies should continue to follow the guidance on accounting and reporting for the U.S. Treasury Department's Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

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Electronic Submission Option

This Bank offers HCs the option of submitting their FR Y-11, FR 2314, and FR Y-12 reports electronically. Any HCs interested in submitting these reports electronically should contact Carolyn Polite at (212) 720-5415 for information concerning the procedures for electronic transmission. HCs 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-9ES, 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 Anthony Guglielmo at (212) 720-8002. Questions regarding the capital adequacy guidelines should be directed to Emily Yang in the Capital Policy and Analysis Department at (212) 720-2734.

Sincerely,

- *Signed by Richard Roberts* -

Richard Roberts
Statistics Officer

ATTACHMENT

Revisions to the FR Y-9C for March 2013

Report Form

- (1) *Page 1*. Changed the title of the report to “Consolidated Financial Statements for Holding Companies.” Also added the HOLA legal authority for the report.
- (2) *Schedule HI-C*. Added new schedule for Disaggregated Data on the Allowance for Loan and Lease Losses.
- (3) *Schedule HC-M, item 21*. Modified caption to item 21 and added footnote 1 to include certain legal citations relevant to savings and loan holding companies.
- (4) *Throughout report (except Schedule HC-R)*. Changed the phrase “bank holding company(ies)” to “holding company(ies).”

Instructions Only

1. *General Instructions*. Added statement “For purposes of this report all references to “bank(s)” and “associated bank(s)” are inclusive of “savings association(s)” unless otherwise noted.” Also included statement that savings and loan holding companies and securities holding companies were added as reporters to the section “Reporting Criteria.”
2. *Schedule HI, memoranda items 17, 17(a) and 17(b)*. Clarified the reporting of other than temporary impairment (OTTI), provided examples, and emphasized that negative entries are not appropriate.
3. *Schedule HC-R, item 19*. Clarified that under the revised market risk capital rules, Tier 3 capital has been eliminated. Institutions subject to the market risk rule should report zero in this item.
4. *Schedule HC-R, Market Risk Rule general instructions*. Updated to reflect revised market risk capital rules.
5. *Schedule HC-R, item 58*. Updated to reflect revised market risk capital rules.
6. *Throughout report (except Schedule HC-R)*. Changed the title of the report to “Consolidated Financial Statements for Holding Companies.”
7. *Throughout report (except Schedule HC-R)*. Changed the phrase “bank holding company(ies)” to “holding company(ies).”

Revisions to the FR Y-9LP for March 2013

Report Form

- (1) *Page 1*. Changed title of the report to “Parent Company Only Financial Statements for Large Holding Companies.” Also added the HOLA legal authority for the report.
- (2) *Throughout report*. Changed the phrase “bank holding company(ies)” to “holding company(ies).”
- (3) *Schedule PC-B, items 15, 15(d) and 15(g)*. Added footnote 2 and additional clarification that a savings and loan holding company should not include its savings association in items 15(a) and 15(h).

Instructions Only

1. *Throughout Instructions*. Changed the phrase “bank holding company(ies)” to “holding company(ies).”
2. *General Instructions*. Added statement that savings and loan holding companies and securities holding companies were added as reporters to the section “Reporting Criteria.” Also added the statement “For purposes of this report all references to “bank(s)” and “associated bank(s)” are inclusive of “savings association(s)” unless otherwise noted.”
3. *Schedule PI*. Added statement “For purposes of this report all references to “bank(s)” and “associated bank(s)” are inclusive of “savings association(s)” unless otherwise noted.”
4. *Schedule PC, item 5*. Added the definition of a subsidiary for a savings and loan holding company.
5. *Schedule PC-A*. Added statement “For purposes of this report all references to “bank(s)” and “associated bank(s)” are inclusive of “savings association(s)” unless otherwise noted.”
6. *Schedule PC-B*. Added statement “For purposes of this report all references to “bank(s)” and “associated bank(s)” are inclusive of “savings association(s)” unless otherwise noted.”
7. *Schedule PC-B, item4(c)*. Added the definition of related savings and loan holding company.
8. *Schedule PC-B, item14*. Added the definition of related savings and loan holding company.
9. *Schedule PC-B, item 15*. Added the definition of a subsidiary for a savings and loan holding company.
10. *Schedule PC-B, items 15(d) and 15(g)*. Clarified line caption that only bank holding companies should complete this line item.

Revisions to the FR Y-11 for March 2013

Report Form

- (1) *Page 1.* Changed the title of the report to “Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies.” Also added the HOLA legal authority for the report.
- (2) *Throughout report.* Changed the phrase “bank holding company(ies)” to “holding company(ies).”

Instructions Only

- (1) *General Instructions.* Throughout instructions changed the phrase “bank holding company(ies)” to “holding company(ies).”
- (2) *Schedule BS, item 18(b).* Corrected line item reference for reporting any portion of the proceeds received from the sale of limited-life preferred stock excess of its par or stated value to item 13.

Revisions to the FR Y-12 for March 2013

Report Form

- (1) *Page 1.* Changed title of the report to “Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies.”
- (2) *Throughout report.* Changed the phrase “bank holding company(ies)” to “holding company(ies).”

Instructions Only

- (1) *General Instructions:* Throughout Instructions changed the phrase “bank holding company(ies)” to “holding company(ies).”
- (2) *General Instructions.* Added statement that savings and loan holding companies and securities holding companies were added as reporters to the section “Purpose of Report” as reporters. Also, added a footnote providing the definition of a savings and loan holding company.