FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Patty Selvaggi
ASSISTANT VICE PRESIDENT

April 19, 2017

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

The following report forms and instructions for the March 31, 2017, reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

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

There are no changes to the FFIEC 002, FFIEC 002S or FFIEC 019 reporting forms or instructions for the March 31, 2017 report date.

Transition to Reporting Central

The Country Exposure report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019) has migrated to Reporting Central as of the March 31, 2014 report date. This report will be available electronically by manual data entry into the Reporting Central application and file uploads will not be accepted at this time. For institutions that do not choose to file this report electronically, the Federal Reserve will continue to accept paper copy submissions.

The Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) has migrated to Reporting Central, as of the June 30, 2014 report date. Both file uploads and manual data entry into the Reporting Central application are accepted. For institutions that do not choose to file this report electronically, the Federal Reserve will continue to accept paper copy submissions. The Federal Reserve developed Reporting Central to enhance the overall reporting functionality of the Federal Reserve Banks' data collection and processing activities. These enhancements will allow for a more secure, technically advanced, and efficient system that will encompass a single point of entry for electronic submission and file uploads. Financial and nonfinancial institutions will access Reporting Central via the FedLine® Web access solution to submit reports and gain access to electronic reporting applications, report forms, and instructions. Additional information about the Reporting Central application, including an online resource center, is available at: http://www.frbservices.org/centralbank/reportingcentral/index.html.

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If you have any questions regarding these changes please contact your Reporting and Reserves District Contact.

Accounting for Measurement-Period Adjustments Related to a Business Combination

In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments." Under Accounting Standards Codification (ASC) Topic 805, Business Combinations (formerly FASB Statement No. 141(R), "Business Combinations"), if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer reports provisional amounts in its financial statements for the items for which the accounting is incomplete. During the measurement period, the acquirer is required to adjust the provisional amounts recognized at the acquisition date, with a corresponding adjustment to goodwill, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. At present under Topic 805, an acquirer is required to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect the new information. To simplify the accounting for the adjustments made to provisional amounts, ASU 2015-16 eliminates the requirement to retrospectively account for the adjustments. Accordingly, the ASU amends Topic 805 to require an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which adjustment amounts are determined. Under the ASU, the acquirer also should recognize in the financial statements for the same reporting period the effect on earnings, if any, resulting from the adjustments to the provisional amounts as if the accounting for the business combination had been completed as of the acquisition date.

In general, the measurement period in a business combination is the period after the acquisition date during which the acquirer may adjust provisional amounts reported for identifiable assets acquired, liabilities assumed, and consideration transferred for the acquiree for which the initial accounting for the business combination is incomplete at the end of the reporting period in which the combination occurs. Topic 805 provides additional guidance on the measurement period, which shall not exceed one year from the acquisition date, and adjustments to provisional amounts during this period.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2015-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For institutions that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The ASU's amendments to Topic 805 should be applied prospectively to adjustments to provisional amounts that occur after the effective date of the ASU. Thus, institutions with a calendar year fiscal year that are public business entities were required to apply the ASU to any adjustments to provisional amounts that occur after January 1, 2016, beginning with their FFIEC 002 report for March 31, 2016. Institutions with a calendar year fiscal year that are private companies should apply the ASU to any adjustments to provisional amounts that occur after January 1, 2017, beginning with their FFIEC 002 report for December 31, 2017. Early application of ASU 2015-16 is permitted in FFIEC 002 report that have not been submitted.

For additional information, institutions should refer to ASU 2015-16, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Accounting for Sales of OREO

Topic 610 applies to an institution's sale of repossessed nonfinancial assets, such as OREO. Topic 610 will eliminate the prescriptive criteria and methods for sale accounting and gain recognition for dispositions of OREO currently set forth in Subtopic 360-20, Property, Plant, and Equipment – Real Estate Sales. Under the new standard, an institution will recognize the entire gain or loss, if any, and derecognize the OREO at the time of sale if the transaction meets certain requirements of Topic 606. Otherwise, an institution will generally record any payments received as a deposit liability to the buyer and continue reporting the OREO as an asset at the time of the transaction.

The following paragraphs highlight key aspects of Topic 610 that will apply to seller-financed sales of OREO once the new standard takes effect. When implementing the new standard, an institution will need to exercise judgment in determining whether a contract (within the meaning of Topic 606) exists for the sale or transfer of OREO, whether the institution has performed its obligations identified in the contract, and what the transaction price is for calculation of the amount of gain or loss.

Under Topic 610, when an institution does not have a controlling financial interest in the OREO buyer under Topic 810, Consolidation, the institution's first step in assessing whether it can derecognize an OREO asset and recognize revenue upon the sale or transfer of the OREO is to determine whether a contract exists under the provisions of Topic 606. In order for a transaction to be a contract under Topic 606, it must meet five criteria. Although all five criteria require careful analysis for seller-financed sales of OREO, two criteria in particular may require significant judgment. These criteria are the commitment of the parties to the transaction to perform their respective obligations and the collectability of the transaction price. To evaluate whether a transaction meets the collectability criterion, a selling institution should determine whether it is probable that it will collect substantially all of the consideration to which it is entitled in exchange for the transfer of the OREO, i.e., the transaction price. To make this determination, as well as the determination that the buyer of the OREO is committed to perform its obligations, a selling institution should consider all facts and circumstances related to the buyer's ability and intent to pay the transaction price. As with the current accounting standards governing seller-financed sales of OREO, the amount and character of a buyer's initial equity in the property (typically the cash down payment) and recourse provisions remain important factors to evaluate. Other factors to consider may include, but are not limited to, the financing terms of the loan (including amortization and any balloon payment), the credit standing of the buyer, the cash flow from the property, and the selling institution's continuing involvement with the property following the transaction.

If the five contract criteria in Topic 606 have not been met, the institution generally may not derecognize the OREO asset or recognize revenue (gain or loss) as an accounting sale has not occurred. In contrast, if an institution determines the contract criteria in Topic 606 have been met, it should then determine whether it has satisfied its performance obligations as identified in the contract by transferring control of the asset to the buyer, indicators of which are identified in the new standard. For seller-financed sales of OREO, the transfer of control generally occurs on the closing date of the sale when the institution obtains the right to receive payment for the property and transfers legal title to the

buyer. However, an institution should consider all relevant facts and circumstances to determine whether control of the OREO has transferred.

When a contract exists and an institution has transferred control of the asset, the institution should derecognize the OREO asset and recognize a gain or loss for the difference between the transaction price and the carrying amount of the OREO asset. Generally, the transaction price in a sale of OREO will be the contract amount in the purchase/sale agreement, including for a seller-financed sale financed at market terms. However, the transaction price may differ from the amount stated in the contract due to the existence of off-market terms on the financing. In this situation, to determine the transaction price, the contract amount should be adjusted for the time value of money by using as the discount rate a market rate of interest considering the credit characteristics of the buyer and the terms of the financing.

For FFIEC 002 purposes, a branch or agency should apply the new standard on a modified retrospective basis. To determine the cumulative-effect adjustment for the change in accounting for seller-financed OREO sales, an institution should measure the impact of applying Topic 610 to the outstanding seller-financed sales of OREO currently accounted for under Subtopic 360-20 using the installment, cost recovery, reduced-profit, or deposit method as of the beginning of the fiscal year the new standard is adopted.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which added Topic 842, Leases, to the ASC.

This guidance, once effective, supersedes ASC Topic 840, Leases.

Topic 842 does not fundamentally change lessor accounting; however, it aligns terminology between lessee and lessor accounting and brings key aspects of lessor accounting into alignment with the FASB's new revenue recognition guidance in Topic 606. As a result, the classification difference between direct financing leases and sales-type leases for lessors moves from a risk-and-rewards principle to a transfer of control principle. Additionally, there is no longer a distinction in the treatment of real estate and non-real estate leases by lessors.

The most significant change that Topic 842 makes is to lessee accounting. Under existing accounting standards, lessees recognize lease assets and lease liabilities on the balance sheet for capital leases, but do not recognize operating leases on the balance sheet. The lessee accounting model under Topic 842 retains the distinction between operating leases and capital leases, which the new standard labels finance leases. However, the new standard requires lessees to record a right-of-use (ROU) asset and a lease liability on the balance sheet for operating leases. (For finance leases, a lessee's lease asset also is designated an ROU asset.) In general, the new standard permits a lessee to make an accounting policy election to exempt leases with a term of one year or less at their commencement date from on-balance sheet recognition. The lease term generally includes the noncancellable period of a lease as well as purchase options and renewal options reasonably certain to be exercised by the lessee, renewal options controlled by the lessor, and any other economic incentive for the lessee to extend the lease.

An economic incentive may include a related-party commitment. When preparing to implement Topic 842, lessees will need to analyze their existing lease contracts to determine the entries to record on adoption of this new standard.

For a sale-leaseback transaction to qualify for sales treatment, Topic 842 requires certain criteria within Topic 606 to be met. Topic 606 focuses on the transfer of control of the leased asset from the seller/lessee to the buyer/lessor. A sale-leaseback transaction that does not transfer control is accounted for as a financing arrangement. For a transaction currently accounted for as a sale-leaseback under existing U.S. GAAP, an entity is not required to reassess whether the transaction would have qualified as a sale and a leaseback under Topic 842 when it adopts the new standard.

Leases classified as leveraged leases prior to the adoption of Topic 842 may continue to be accounted for under Topic 840 unless subsequently modified. Topic 842 eliminates leveraged lease accounting for leases that commence after an institution adopts the new accounting standard.

For institutions that are public business entities, as defined under U.S. GAAP, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For institutions that are not public business entities, the new standard is effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early application of the new standard is permitted for all institutions. An institution that early adopts the new standard should apply it in its entirety to all lease-related transactions. If an institution chooses to early adopt the new standard for financial reporting purposes, the institution should implement the new standard in its FFIEC 002 Report for the same quarter-end report date.

For FFIEC 002 purposes, a branch or agency should apply the new standard on a modified retrospective basis. Under the modified retrospective method, an institution should apply a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted.

For additional information on ASU 2016-02, institutions should refer to the FASB's website at: http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FCompletedProjectPage&cid=1176167904031, which includes a link to the new accounting standard.

Debt Issuance Cost

In April 2015, FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This ASU requires debt issuance costs associated with a recognized debt liability to be presented as a direct deduction from the face amount of the related debt liability, similar to debt discounts. The ASU is limited to the presentation of debt issuance costs; therefore, the recognition and measurement guidance for such costs is unaffected. At present, ASC Subtopic 835-30, Interest − Imputation of Interest, requires debt issuance costs to be reported on the balance sheet as an asset (i.e., a deferred charge). For FFIEC 002 purposes, the costs of issuing debt currently are reported, net of accumulated amortization, in Schedule RAL, item 1.h, "Other assets including other claims on nonrelated parties."

For branches and agencies that are public business entities, as defined under U.S. GAAP, ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For example, branches and agencies with a calendar year fiscal year that are public business entities were required to apply the ASU in their FFIEC 002 beginning March 31, 2016. For branches and agencies that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Thus, branches and agencies with a calendar year fiscal year that are private companies should apply the ASU in their December 31, 2016, and subsequent quarterly FFIEC 002 reports. Early adoption of the guidance in ASU 2015-03 is permitted.

After a branch or agency adopts ASU 2015-03, any transaction involving a recognized debt liability in which debt issuance costs were incurred and classified as deferred charges in "Other assets" before the adoption of the ASU should be reported as a direct deduction from the carrying amount of the related debt liability and included in the appropriate balance sheet category of liabilities in FFIEC 002 Schedule RAL, e.g., item 4.c, "Other borrowed money".

However, the guidance in ASU 2015-03 does not address the presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Accordingly, the agencies would not object to an institution deferring and presenting debt issuance costs as an "Other asset" and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

For additional information, institutions should refer to ASU 2015-03, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share (or its equivalent) practical expedient described in ASC Topic 820, Fair Value Measurement (formerly FASB Statement No. 157, "Fair Value Measurements"). It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient, regardless of whether the expedient has been applied. Rather, the ASU limits those disclosures to investments for which the entity has elected to measure fair value using the NAV per share practical expedient to help users of its financial statements understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from their NAV per share (or its equivalent). In addition, although the investments are not categorized within the fair value hierarchy, the ASU requires a reporting entity to disclose the amount of investments for which fair value is measured using the NAV per share practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position.

ASC Topic 820 currently permits a reporting entity, as a practical expedient, to measure the fair value of certain investments in investment companies and real estate funds using the NAV per share of the investment. In contrast to other investments within the fair value hierarchy, which are categorized on the basis of the observability of the significant inputs in the fair value measurement, investments valued using the NAV per share practical expedient currently are categorized on the basis of whether the investment is redeemable with the investee at NAV on the measurement date, never redeemable with the investee at NAV, or redeemable with the investee at NAV at a future date.

The criteria for categorizing investments in the fair value hierarchy that are measured using the NAV per share practical expedient do not consider the observability of inputs and are therefore inconsistent with the overarching intent of the fair value hierarchy. By removing the requirement to include investments measured using the NAV per share practical expedient within the fair value hierarchy, ASU 2015-07 ensures that all investments within the hierarchy are categorized using a consistent approach. Investments that calculate NAV per share, but for which the practical expedient is not applied, should continue to be included in the fair value hierarchy.

For FFIEC 002 purposes, the issuance of ASU 2015-07 means that an institution that has adopted the ASU and elects to measure the fair value of an investment that meets criteria specified in Topic 820 using the NAV per share practical expedient should continue to report the investment's fair value in the appropriate asset item in column A of Schedule Q, Assets and Liabilities Measured at Fair Value on a Recurring Basis. However, the institution should exclude the investment from the Level 1, 2, and 3 disclosures in in columns C, D, and E of Schedule Q and it should instead report the fair value measured using the NAV per share practical expedient in column B along with the netting adjustments currently reported in column B. In contrast, if the branch or agency does not elect to measure an investment that meets criteria specified in Topic 820 using the NAV practical expedient, it should disclose in column C, D, or E of Schedule Q, as appropriate, the level within the fair value hierarchy within which its fair value measurement in its entirety falls based on the lowest level input that is significant to the fair value measurement in its entirety.

ASU 2015-07 is effective for branches and agencies that are public business entities, as defined under U.S. GAAP, for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For example, institutions with a calendar year fiscal year that are public business entities were required to apply the ASU in their FFIEC 002 reports beginning March 31, 2016. For branches and agencies that are not public business entities (i.e., that are private companies), the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Accordingly, branches and agencies with a calendar year fiscal year that are private companies should apply the ASU in their FFIEC 002 reports beginning March 31, 2017. Earlier application is permitted. If a branch or agency has chosen to early adopt ASU 2015-07 for financial reporting purposes, the branch and agency may implement the provisions of the ASU in the manner described above in its FFIEC 002 report for the same quarter-end report date. However, prior FFIEC 002 reports should not be amended.

For additional information, institutions should refer to ASU 2015-07, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Reporting of Specific Reserves

Once a loan is written-down through a specific reserve or charge-off, a new cost basis for the asset is established. Changing this cost basis by re-booking or writing-up the loan is not permitted. Under Accounting Standard Codification (ASC) 310-10-35-37, after the initial measurement of impairment, if there is a significant change in the amount or timing of an impaired loan's expected future cash flow, the change should be applied by adjusting the valuation allowance.

On the FFIEC 002, loans that are written down through the application of a specific reserve are treated in an identical manner as loans that are partially or wholly charged-off. Therefore, recoveries on loans for which there is a specific reserve should be accounted for on a cash basis by reducing the expense account (i.e. the provision for loan losses) for the amount of the recovery, and reported as part of the calculation for profit or loss, in Schedule M, Part I, Line 2.a, "Gross due from/to head office of parent bank".

Subscription Service

We offer a 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 service at the following website:

http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK8

Reports Monitoring

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

The completed FFIEC 002 and FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than **May 1, 2017.** Any FFIEC 002/002S report received after 5:00p.m. on **May 1, 2017,** will be considered late unless postmarked by **April 27, 2017,** or sent overnight service by **April 28, 2017.**

An original and one copy of the completed FFIEC 019 report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than May 15, 2017. Any FFIEC 019 report received after 5:00 p.m. on May 15, 2017, will be considered late unless postmarked by February 8, 2017 or sent overnight service by May 12, 2017. Reporting institutions have the option to electronically submit the completed FFIEC 019 report(s) using the Federal Reserve System's Reporting Central Application by no later than May 15, 2017.

Federal Reserve Bank of New York
Data and Statistics Function
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We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the March 31, 2017 report date. The staff of this Reserve Bank will monitor whether branches and agencies are meeting their basic reporting requirements through the use of "validity edits."

Website

The FFIEC 002/002S and FFIEC 019 forms and instructions are available on the FFIEC website at www.ffiec.gov/ffiec reportforms.htm. In addition, attached are validity edit checks for the FFIEC 002.

Questions regarding the FFIEC 002 and FFIEC 002S reports should be directed to Morgan Norful, Director, at (212) 720-8055, Laura Stash, Director, at (212) 720-5581 or Cheryl Skillman, Director, at (212) 720-8739.

Questions regarding the FFIEC 019 report should be directed to Kate Nickle, Financial Reports Senior Analyst at (212) 720-5007, Joe Hernandez, Financial Reports Associate at (212) 720-1362, or Brian Goodwin, Staff Manager at (212) 720-8316 in the Financial Flows Division.

Sincerely,