

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

June 30, 2001

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

Enclosed are copies of forms and instructions for the following reports for the quarter ending June 30, 2001:

- Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002); and
- 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)(form only).
- The Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019)

June 2001 Report Changes

There are no changes to the FFIEC 002S or FFIEC 019 reporting forms or instructions for **June 30, 2001**. There are several changes to the FFIEC 002 reporting form and instructions. These changes are outlined below.

Schedule RAL - Assets and Liabilities

- Two new items, "Mortgage-Backed securities" (item 1.c(2)) and "Other asset-backed securities" (item 1.c(3)) have been added to segregate branch and agency holdings of mortgage-backed securities and other asset-backed securities.
- "Federal funds sold and securities purchased under agreements to resell," "With U.S. branches and agencies of other foreign banks" (item 1.d(1)) and "With other commercial banks in the U.S." (item 1.d(2)) are combined.
- "Federal funds purchased and securities sold under agreements to repurchase," "With U.S. branches and agencies of other foreign banks," (items 4.b(1)), and "With other commercial banks in the U.S." (item 4.b(2)), are combined.

June 30, 2001

- "Mutual fund and annuity sales during the quarter," (Memorandum item 9), has been recaptioned and defined as "Assets under the reporting branch or agency's management in proprietary mutual funds and annuities." Branches and agencies without proprietary mutual funds and annuities no longer need to report any information on their involvement with these products.
- "Amount of assets netted against liabilities to nonrelated parties (excluding deposits in insured branches) on the balance sheet in accordance with generally accepted accounting principles," (Memorandum item 12), is eliminated.
- "FDIC asset maintenance requirement (for FDIC insured branches only): Average liabilities," (item S.3(a)), is redefined to collect average liabilities for the calendar quarter preceding the quarter ending on the report date.

Schedule A—Cash and Balances Due from Depository Institutions

- "Noninterest-bearing balances due from commercial banks in the U.S. (including their IBFs)" (Memorandum item 1), is eliminated.

Schedule C—Loans

- "Loans to depository institutions" and "Acceptances of other banks" (items 2 and 5 respectively) are combined.

Schedule E—Deposit Liabilities and Credit Balances

- The reporting of demand deposits by category of depositor in column B is eliminated. A category breakdown of total transaction accounts is reported in column A, which includes demand deposits.
- "Certified and official checks" (item 6), is combined with deposits of "Individuals, partnerships, and corporations" (item 1).

Schedule L— Derivatives and Off-Balance-Sheet Items

- "Participation in acceptances acquired by the reporting (non-accepting) branch or agency" (item 6), is eliminated.

The following lines have been eliminated in accordance with FAS Statement No. 133.

June 30, 2001

- "Gross notional amount of derivative contracts held for purposes other than trading that are not marked to market" (item 11.b).
- The gross positive and gross negative fair values of derivatives held for purposes other than trading that are not marked to market (items 12.c(1) and 12.c(2)).

Schedule M – Due from/Due to Related Institutions in the U.S. and in Foreign Countries: Part V, Derivatives and off-balance sheet items with related depository institutions

- "Participation in acceptances acquired from related depository institutions by the reporting (non-accepting) branch or agency" (item 6), is eliminated.

The following lines have been eliminated in accordance with FAS Statement No. 133.

- "Gross notional amount of derivative contracts held for purposes other than trading that are not marked to market" (item 11.b).
- The gross positive and gross negative fair values of derivatives held for purposes other than trading that are not marked to market (items 12.c(1) and 12.c(2)).

Schedule N—Past Due, Nonaccrual, and Restructured Loans

- "Replacement cost of [past due derivative] contracts with a positive replacement cost," (Memorandum item 2.b), is eliminated. The caption for Memorandum item 2 is revised to "Fair value of amounts carried as assets."

Securitization and Asset Sale Activities (Schedule S)

A new schedule, Securitization and Asset Sale Activities (Schedule S), has been added. This schedule captures information relating to securitization and asset sale activities.

Branches and agencies involved in securitization and asset sale activities will report quarter-end data for seven categories. These data will cover 1-4 family residential loans, home equity lines, credit card receivables, auto loans, other consumer loans, commercial and industrial loans, and all other loans and all leases. For each loan category, branches and agencies will report: (1) the outstanding principal

June 30, 2001

balance of assets sold and securitized with servicing retained or with recourse or seller-provided credit enhancements, (2) the maximum amount of credit exposure arising from recourse or credit enhancements to securitization structures (separately for those sponsored by the reporting branch or agency and those sponsored by other institutions), (3) the past due amounts on the underlying securitized assets, (4) the amount of any commitments to provide liquidity to the securitization structures, (5) the outstanding principal balance of assets sold with servicing retained or with recourse or seller-provided credit enhancements that have not been securitized, and (6) the maximum amount of credit exposure arising from assets sold with recourse or seller-provided credit enhancements that have not been securitized.

A limited amount of information will also be collected on credit exposures to asset-backed commercial paper conduits. For the home equity line, credit card receivable, and the commercial and industrial loan categories, branches and agencies will also report the amount of any ownership (or seller's) interests in securitizations that are carried as securities and as loans and the past due amounts on the assets underlying the seller's interests carried as securities.

Glossary

The glossary section of the reporting instructions will be updated with the September 30, 2001, reporting date. Branches and agencies that require guidance, related to recent accounting and reporting issues (e.g., FAS 133 and FAS 140), should refer to the glossary section of the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (FFIEC 031).

Confidentiality

The confidential treatment currently provided for "Past Due, Non-accrual and Restructured Loans" (Schedule N) has been eliminated.

Trust Data (Schedule T)

Beginning with the December report, branches and agencies that file the existing Annual Report of Trust Assets (FFIEC 001) will instead file a new Fiduciary and Related Services Schedule (Fiduciary Schedule) (Schedule T) as part of the FFIEC 002. This information includes the number of accounts and the market value of trust assets for eight categories of fiduciary activities.

June 30, 2001

These institutions will also report data on corporate trust activities, collective investment funds and common trust funds, and types of managed assets held in personal trust and agency accounts.

Loans Held For Sale

On March 26, 2001 the banking agencies issued guidance on the accounting and reporting of loans held for sale. This guidance states that loans held for sale should be reported at the lower of cost or fair value as part of the institution's loan portfolio. Accordingly, any decline in the value of a loan at the date it is transferred to HFS should be treated as a charge-off (or a specific reserve) consistent with the institution's loan loss methodology and should be reported as a reduction of the loan's carrying value in the appropriate line items of Schedule C and as an adjustment to the unremitted profits and losses included in Schedule M. Subsequent to the date of a loan's transfer to the HFS account, the loan should be reported at the lower of this new cost basis or fair value as of the report date with any further decline or increase in value reflected in a valuation account in a manner similar to a specific reserve. HFS loans should continue to be reported as past due and nonaccrual status on the same basis as other loans.

FASB Statement No. 133 (FAS 133)

FAS 133 is effective for fiscal years beginning after June 15, 2000. Branches and agencies must adopt Statement No. 133 on the FFIEC 002 on the first quarter for the new fiscal year. Therefore all institutions should have adopted by the June report date. Once an institution adopts FAS 133, the fair value of trading derivatives with *nonrelated* parties should continue to be reported in Schedule RAL, Assets and Liabilities, "Trading assets" (Line 1.f) for positive fair values, or Schedule RAL, "Trading liabilities" (Line 4.e) for negative fair values. The fair value of contracts with *nonrelated* parties held for purposes other than trading should be reported in Schedule RAL, "Other assets" (Line 1.h) for positive fair values, or Schedule RAL, "Other liabilities" (Line 4.f) for negative fair values.

The fair value of trading derivatives with *related* parties should be reported in Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, "Trading assets and liabilities, related parties" (Part I, Memoranda Line 3), column A for positive fair values, and column B for negative fair values. These amounts should also be reported in Schedule

June 30, 2001

M, "U.S. domiciled offices of related depository institutions (including their IBFs)" (Part I, Line 1), or "Non-U.S. domiciled offices of related depository institutions" (Part I, Line 2), with the appropriate counterparty. The fair value of contracts with *related* parties held for purposes other than trading should be reported in Schedule M, Part I, Line 1 or Line 2, column A for positive fair values, and column B for negative fair values. Consistent with FAS 133 and its implementation guidance, intercompany derivatives between a U.S. branch or agency and a related party, including the reporting branch or agency's parent bank, may qualify for hedge accounting if it meets the criteria outlined in the guidance.

In addition, for all derivative contracts with both related and nonrelated parties (including derivatives designated and qualifying as cash flow hedging instruments), the changes in the fair value of the derivatives (that is, gains and losses) should be reported as part of an institution's unremitted profit (loss) reported in Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, "Gross due to/due from Head office of parent bank" (Part I, Line 2.a). For fair value hedges, the change in the fair value of the hedged item (asset, liability or firm commitment) attributable to the hedged risk should adjust the carrying amount of the hedged item. The change in fair value should also be reported as part of the net unremitted profit (loss) in Schedule M.

Reports Monitoring

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

An original and one copy of the completed FFIEC 002 and FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than July 30, 2001. Any FFIEC 002/002S reports received after 5:00 p.m. on July 30 will be considered late unless postmarked by July 27 or sent by overnight service by July 28. Complete reports should be submitted to:

**Federal Reserve Bank of New York
Statistics Function
33 Liberty Street, 4th Floor**

June 30, 2001

New York, NY 10045

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the June 30, 2001, report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The edits for the FFIEC 002 report that are subject to monitoring are also included.

Electronic Submission Option

Electronic submission of the FFIEC 002/002S reports are available to all U.S. branches and agencies. We encourage you to take advantage of this method of reports submission. Vendors have developed a software package that provides the means to submit the FFIEC 002/002S electronically. Submitting reports electronically using the software package provides the following key benefits:

- A timely and efficient alternative to sending the report forms by mail;
- Data are checked automatically for miscalculated totals and blank fields; and
- A printed report is generated that can serve as your institution's permanent record of the report.

For information on filing the FFIEC 002/002S report electronically, please contact Henry Castillo at (212) 720-1318.

Website

The FFIEC 002/002S forms and instructions are available on the FFIEC web site at

http://www.ffiec.gov/ffiec_report_forms.htm.

Questions regarding the FFIEC 002/002S reports should be directed to Alex Santana at (212) 720-6357, Diana Stemm at (212) 720-8925 or Richard Molloy, Reports Specialist in the Regulatory Reports Division at (212) 720-6393.

FFIEC 019

The FFIEC 019 report must be submitted if your institutions total direct claims on foreign residents exceed \$30 million on the report date. If your institution does not meet this

June 30, 2001

reporting criterion we ask that you submit an official letter stating that fact no later than the due date specified below.

Reports Monitoring

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of each of these reports will be monitored, and that submission of initial data via facsimile, even if prior to the deadline, does not constitute timely filing. An original and one copy of the completed FFIEC 019 report must be returned, by mail or messenger, no later than August 14, 2001.

Any FFIEC 019 reports received after 5:00 p.m. on this date will be considered late unless postmarked by August 8, 2001 or sent by overnight service by August 13, 2001. Completed FFIEC 019 reports should be submitted to:

**Federal Reserve Bank of New York
Attn: Statistics Function-Administrative Support
33 Liberty Street, 4th Floor
New York, NY 10045**

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the June 30, 2001, report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The edits for the FFIEC 019 report that are subject to monitoring are unchanged and are included in the mailing.

Website

The FFIEC 019 forms and instructions are available on the FFIEC web site at http://www.ffiec.gov/ffiec_report_forms.htm.

If there are any questions concerning the FFIEC 019 report, please direct them to the International Reports Staff at (212) 720-8247.

Annual Regulatory Reporting Seminars

A letter containing information on the U.S. Branches and Agencies seminars scheduled for 2001 was mailed to your institution's Chief Executive Officer in March. If you have any questions about the seminars, you can contact Patricia Maone at

June 30, 2001

(212) 720-7871.

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Statistics Function

Enclosures