FEDERAL RESERVE BANK OF NEW YORK

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KENNETH LAMAR
SENIOR VICE PRESIDENT

July 1, 2009

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 June 30, 2009

The following report forms and instructions for the June 30, 2009 reporting date has 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 data on several new items and delete and revise existing items for: (1) holdings of collateralized debt obligations and other structured financial products (2) holdings of commercial mortgage-backed securities (3) collateral held against over-the-counter (OTC) derivative exposures, (4) investments in real estate ventures, (5) pledged loans and pledged trading assets (6) fair value measurements (7) credit derivatives and (8) unused commitments.

Several clarifications have been made to the FR Y-9C, FR Y-11, and FR 2314 reporting instructions. There have been no changes for the FR Y-9LP and FR Y-12 for this quarter. Significant accounting updates have been provided in this letter.

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=USFRBNEWYORK_8

Reports Submission

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

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

The submission deadline for all **FR Y-9C** filers is Monday, August 10, 2009. Any FR Y-9C reports received after 5:00 p.m. on August 10 will be considered late. The submission deadline for all FR Y-9LP filers is Friday, August 14, 2009. Any **FR Y-9LP** reports received after 5:00 p.m. on August 14 will be considered late. The submission deadline for the **FR Y-12** is Friday, August 14, 2009. Any FR Y-12 reports received after 5:00 p.m. on August 14 will be considered late unless postmarked by Tuesday, August 11 or sent by overnight service on Thursday, August 13. The submission deadline for the **FR Y-11** and **FR 2314** is Monday, August 31, 2009. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on August 31 will be considered late unless postmarked by Thursday, August 27 or sent by overnight service on Saturday, August 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.

Other-Than-Temporary Impairment

When the fair value of an investment is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a BHC must apply guidance such as paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*; FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*; FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*; paragraph 6 of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*; Emerging Issues Task Force (EITF) Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*; and FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*.

On January 12, 2009, the FASB issued FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*. This FSP amended EITF Issue No. 99-20 to align its impairment guidance with the guidance in paragraph 16 of FASB Statement No. 115 and related implementation guidance. The FSP is effective for "interim and annual reporting periods ending after December 15, 2008, and shall be applied prospectively. Retrospective application to a prior interim or annual reporting period is not permitted." All BHCs, both public *and* nonpublic, that hold beneficial interests that fall within the scope of EITF Issue No. 99-20 must adopt FSP EITF 99-20-1 for FR Y-9 reporting purposes in accordance with the FSP's effective date. Thus, both public and nonpublic BHCs should have applied this FSP beginning in their December 31, 2008, reports. BHCs should not apply the guidance in this FSP to the September 30, 2008, or earlier reporting periods.

On April 9, 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2). This FSP amended the other-than-temporary impairment guidance in several standards (including FASB Statement No. 115, FSP FAS 115-1 and FAS 124-1, and EITF Issue No. 99-20) that applies to investments in debt securities. FSP FAS 115-2 does not apply to investments in securities that meet the definition of an equity security in FASB Statement No. 115. Under FSP FAS 115-2, if a BHC intends to sell a debt security or it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis, an other-than-temporary impairment has occurred and the entire difference between the security's amortized cost basis and its fair value at the balance sheet date must be recognized in earnings. In these cases, the fair value of the debt security would become its new amortized cost basis. The FSP also provides that if the present value of cash flows expected to be collected on a debt security is less than its amortized cost basis, a credit loss exists. In this situation, if a BHC does not intend to sell the security and it is not more likely than not that the BHC will be required to sell the debt security before recovery of its amortized cost basis less any current-period credit loss, an other than temporary impairment has occurred. The amount of the total other-than-temporary impairment related to the credit loss must be recognized in earnings, but the amount of the total impairment related to other factors must be recognized in other comprehensive income, net of applicable taxes.

FSP FAS 115-2 is effective for interim and annual reporting periods ending after June 15, 2009. Early adoption of this FSP is permitted for periods ending after March 15, 2009, provided FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, and, if applicable, FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, are adopted at the same time. BHCs are expected to adopt FSP FAS 115-2 for FR Y-9 reporting purposes in accordance with the FSP's effective date.

In addition, BHCs should review any debt securities held at the beginning of the interim period in which the FSP is adopted (e.g., as of April 1, 2009, if the FSP is adopted for the period ending June 30, 2009; as of January 1, 2009, if the FSP is adopted for the period ending March 31, 2009) for which other-than-temporary impairment losses have been previously recognized. If a BHC does not intend to sell such a debt security and it is not more likely than not that the BHC will be required to sell the debt security before recovery of its amortized cost basis, the BHC should recognize the cumulative effect of initially applying FSP FAS 115-2 as an adjustment to the interim period's opening balance of retained earnings, net of applicable taxes, with a corresponding adjustment to accumulated other comprehensive income. The cumulative effect on retained earnings must be calculated by comparing the present value of the cash flows expected to be collected on the debt security with the security's amortized cost basis as of the beginning of the interim period of adoption. This calculation should be made in accordance with the guidance in the FSP. In order to disclose the cumulative effect, if any, of initially applying FSP FAS 115-2 (regardless of whether the FSP is adopted in the first or second quarter of 2009), BHCs should report the amount of the net-of-tax adjustment to the opening balance of retained earnings as of the beginning of the interim period of adoption in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and in Notes to the Income Statement—Other, item 1, "Cumulative effect of the initial application of FSP FAS 115-2 on other-than-temporary impairment," and include an offsetting adjustment in Schedule HI-A, item 12, "Other comprehensive income."

For other-than-temporary impairment losses on held-to-maturity and available-for-sale debt securities that occur after the beginning of the interim period in which FSP FAS 115-2 is adopted, BHCs should report the amount of such losses that must be recognized in earnings in items 6.a and 6.b, of the FR Y-9C income statement (Schedule HI), respectively. Other-than-temporary impairment losses that are to be recognized in other comprehensive income, net of applicable taxes, should be reported in item 12 of Schedule HI-A, Changes in Bank Equity Capital, and included in item 26.b, "Accumulated other comprehensive income," on the FR Y-9C balance sheet (Schedule HC). For a held-to-maturity debt security on which the BHC has recognized an other-than-temporary impairment loss related to factors other than credit loss in other comprehensive income, the BHC should report the carrying value of the debt security, as defined in FSP FAS 115-2, in item 2.a of Schedule HC and in column A of Schedule HC-B, Securities. Under the FSP, this carrying value should be the fair value of the debt security as of the date of the most recently recognized other-than-temporary impairment loss adjusted for subsequent accretion of the impairment loss related to factors other than credit loss. In addition, for regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit loss that are reported, net of applicable taxes, in Schedule HC, item 26.b, "Accumulated other comprehensive income," should be included in Schedule HC-R, item 2, together with the net unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit loss was previously recognized in other comprehensive income, include the carrying value of the debt security, as described above, in column A of Schedule HC-R, item 35. Then include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule HC-R, item 35, and include the amortized cost of the security, as defined in FSP FAS 115-2, in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). Under the FSP, this amortized cost is the security's previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

Treasury Department's Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (http://www.treas.gov/press/releases/hp1207.htm). The CPP is designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers and support the U.S. economy. Under this program, the Treasury will purchase up to $250 billion of securities issued by qualifying financial institutions.

For BHCs (other than those that are Subchapter S) that are approved for participation in the CPP, the Treasury Department will purchase senior perpetual preferred stock and warrants to purchase common stock or senior perpetual preferred stock, depending on whether the BHC's common stock is "publicly traded". For such BHCs that are not publicly traded, the Treasury Department intends to immediately exercise the warrants for senior perpetual preferred stock ("warrant preferred stock"). The senior perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported on the FR Y-9C balance sheet 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," and included in balance sheet (Schedule HC) item 23, "Perpetual preferred stock and related surplus." (For the FR Y-9LP, Schedule PC, item 20.a) Senior perpetual preferred stock issued by BHCs to the Treasury Department is cumulative. For regulatory capital purposes, these instruments are treated the same as noncumulative perpetual preferred stock as an unrestricted core capital element included in Tier 1 capital. It will be included in the amount reported for "Total equity capital" in item 1 of Schedule HC-R, Regulatory Capital and included in Schedule HC-R, memoranda item 3.a, "Noncumulative perpetual preferred stock."

Warrants issued by a publicly traded BHC should be included in equity capital on the balance sheet provided the BHC has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and any other necessary shareholder approvals have been obtained. If the BHC does not have required shareholder approval, including shareholder approval for sufficient authorized but unissued shares of the common stock subject to the warrants that may be required for settlement, the warrants may be included in equity capital on the balance sheet provided that the BHC takes the necessary action to secure sufficient approvals prior to the end of the fiscal quarter in which the warrants are issued. The amount assigned to warrants classified as equity capital should be reported in Schedule HC-M, item 24.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items," and included in Schedule HC, item 25, "Surplus." (For the FR Y-9LP, Schedule PC, item 20.c) Warrants that are not eligible to be classified as equity capital should also be reported in Schedule HC-M, item 24.b and included in balance sheet item 20, "Other liabilities." (For the FR Y-9LP, Schedule PC, item 17).

Proceeds from a BHC's issuance to the Treasury Department of noncumulative perpetual preferred stock during the calendar year-to-date reporting period should be included in Schedule HI-A, item 5.a, "Sale of perpetual preferred stock, gross". Proceeds from warrants eligible to be classified as equity capital during the calendar year-to-date reporting period should be included in Schedule HI-A, item 6.a, "Sale of common stock, gross".

For BHCs that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in Schedule HC, item 19.a, "Subordinated notes and debentures." For regulatory capital purposes, report in Schedule HC-R, item 6.b, "Qualifying restricted core capital elements (other than cumulative perpetual preferred stock)," the portion of such subordinated debt securities that qualify for inclusion in Tier 1 capital based on the risk-based capital guidelines.

Business Combinations and Noncontrolling (Minority) Interests

In December 2007, the FASB issued Statement No. 141 (Revised), *Business Combinations* (FAS 141(R)), and Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FAS 160). Under FAS 141(R), all business combinations are to be accounted for by applying the acquisition method. FAS 160 defines a noncontrolling interest (i.e. a minority interest) as the portion of equity in a BHC's subsidiary not attributable, directly or indirectly, to the parent BHC. FAS 160 requires a BHC to clearly present in its consolidated financial statements the equity ownership interest in and the financial statement results of its subsidiaries that are attributable to the noncontrolling ownership interests in these subsidiaries.

FAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Similarly, FAS 160 is effective for fiscal years beginning on or after December 15, 2008. Thus, for BHCs with calendar year fiscal years, these two accounting standards will take effect in 2009. BHCs must apply these standards for FR Y-9C reporting purposes in accordance with their effective dates. The Glossary entry for "Business Combinations" in the FR Y-9C instruction book will be revised to incorporate the provisions of FAS 141(R) in September 2009.

Trust Preferred Securities and Limits on Restricted Core Capital Elements

On March 10, 2005, the Federal Reserve announced the amendment of its risk-based capital standards for BHCs to allow the continued inclusion of outstanding and prospective issuances of trust preferred securities in the tier 1 capital of BHCs, subject to stricter quantitative limits and qualitative standards. The Federal Reserve also revised the quantitative limits applied to the aggregate amount of qualifying cumulative perpetual preferred stock, qualifying trust preferred securities, and Class B and Class C minority interest (collectively, restricted core capital elements) included in the tier 1 capital of BHCs. These new quantitative limits were scheduled to become effective on March 31, 2009. However, on March 23, 2009, the Federal Reserve adopted a rule extending the compliance date for the tighter limits to March 31, 2011 in light of the current stressful financial conditions and the severely constrained ability of BHCs to raise additional capital in the markets. Nevertheless, it is also prudential and appropriate to recognize the large percentage of BHCs currently in compliance with the tighter limits on capital components adopted by the 2005 Board rule and to encourage such BHCs to continue to comply with the tighter limits and for other BHCs to come into compliance as quickly as feasible in the current financial environment.

Accordingly, and consistent with the new and revised items implemented on FR Y-9C Schedule HC-R for the first quarter of 2009, the instructions for these new and revised items require reporting in accordance with the revised limits to become effective on March 31, 2011, but only requires the exclusion of amounts from Tier 1 or Tier 2 capital that are subject to such exclusion under the quantitative limits under the Board's risk-based capital rule applicable until March 31, 2011. A BHC's amount of restricted core capital elements that are includable in Tier 1 capital under the limits applicable until March 31, 2011, but that would be excluded from Tier 1 capital and included in Tier 2 capital under the limits applicable on March 31, 2011, are reported on Schedule HC-R, line item 10, "Other additions to (deductions from) Tier 1 capital." Refer to the section "Reporting of Qualifying Restricted Core Capital Elements in Tier 1

Capital" beginning on page HC-R-3 of the FR Y-9C reporting instructions, which has been revised for the June 2009 instruction update, for further information.

Treatment of Purchased Subordinated Securities That Are Direct Credit Substitutes Not Eligible for the Ratings-Based Approach

Additional guidance on this topic has been included in the FR Y-9C reporting instructions in June 2009. BHCs should refer to the guidance presented in Schedule HC-R beginning on page HC-R-21.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, "Fair Value Measurements", 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.

According to FAS 157, observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. In contrast, unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", issued in February 2007, allows 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's decision to elect the fair value option for an eligible item is irrevocable. Because FAS 159 creates a fair value option, a BHC is not required to adopt FAS 159 for FR Y-9 reporting purposes. 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. The BHC is also expected to meet the principles and objectives of FAS 159 when applying the fair value option.

The Federal Reserve is considering the regulatory capital implications of the use of a fair value option, including the fair value option in FASB Statements No. 155 and No. 156. Except as discussed below, changes in the fair value of assets and liabilities to which a fair value option is applied that are recognized in earnings should be reflected in Tier 1 capital, pending further guidance from the Federal Reserve. For a liability to which a fair value option is applied, BHCs should consider the effect of a change in their own creditworthiness on the fair value of the liability. The Federal Reserve has determined that BHCs should exclude from Tier 1 capital the cumulative change in the fair value of liabilities accounted for under a fair value option that is included in retained earnings (Schedule HC, item 26.a) and is attributable to changes in the BHC's own creditworthiness. 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 reported in Schedule HC-R, item 7.b, so that it is 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.

Measurement of Fair Values in Stressed Market Conditions

The valuation of various assets and liabilities on the balance sheet – including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option (which is discussed in the following section), and foreclosed assets – involves the use of fair values. During periods of market stress, the fair values of some financial instruments and nonfinancial assets may decline.

Institutions are reminded that the objective of a fair value measurement is to determine the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the balance sheet date under current market conditions. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g., a forced liquidation or distress sale). This fair value objective is generally applicable to all fair value measurements, whether or not a BHC has early adopted FASB Statement No. 157, *Fair Value Measurements* (FAS 157), which is discussed in the following section.

On September 30, 2008, the SEC's Office of the Chief Accountant and the FASB staff jointly issued clarifications that address several fair value measurement questions that have arisen in the current market environment (http://www.fasb.org/news/2008-FairValue.pdf). These clarifications are based on the fair value measurement guidance in FAS 157. BHCs should consider these clarifications when measuring fair value for FR Y-9 reporting purposes.

On April 9, 2009, the FASB issued FASB Staff Position No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). This FSP provides additional guidance on determining fair value in accordance with FAS 157 when the volume and level of activity have significantly decreased when compared with normal market activity for an asset or liability (or similar assets or liabilities). According to FSP FAS 157-4, a significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be determinative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with Statement 157.

FSP FAS 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption of this FSP is permitted for periods ending after March 15, 2009, provided FSP FAS 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which is discussed in an earlier section of these Supplemental Instructions, and, if applicable, FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, are adopted at the same time. BHCs are expected to adopt FSP FAS 157-4 for FR Y-9 reporting purposes in accordance with the FSP's effective date.

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. The June 2007 FR Y-9C reporting instructions were updated to include a revised Glossary entry for "Income Taxes" that includes guidance on FIN 48.

BHCs must adopt FIN 48 for FR Y-9 reporting purposes in accordance with the interpretation's effective date. As originally issued, FIN 48 was effective for fiscal years beginning after December 15, 2006. However, for eligible nonpublic enterprises the FASB Board has decided to defer the effective date of FIN 48 to the annual financial statements for fiscal years beginning after December 15, 2008. A nonpublic enterprise is eligible for this deferral provided it (a) has not issued a full set of annual financial statements incorporating the recognition, measurement, and disclosure requirements of FIN 48 and (b) is not a subsidiary of a public enterprise. A nonpublic enterprise that meets these conditions is eligible for the deferral even if it issued interim or quarterly financial information in 2007 that reflected the adoption of FIN 48.

Thus, eligible nonpublic BHCs must adopt FIN 48 for FR Y-9 reporting purposes for annual periods beginning after December 15, 2008, based on their respective fiscal years. For example, an eligible nonpublic BHC with a calendar year fiscal year must adopt FIN 48 as of January 1, 2009, but is not required to reflect the effect of its adoption of FIN 48 for FR Y-9 reporting purposes until it prepares its FR Y-9 for the December 31, 2009, report date. An eligible nonpublic BHC that applied the recognition and measurement provisions of FIN 48 in its FR Y-9 reports for 2007 report dates can either: (a) choose not to adopt the effective date deferral and continue to apply FIN 48 in its FR Y-9 reports going forward; or (b) choose to adopt the effective date deferral and its December 2007 FR Y-9 report should have been prepared without reflecting the application of FIN 48. As noted above, a nonpublic BHC that is a subsidiary of a public company does not meet the eligibility conditions for the deferral of the effective date of FIN 48 and at present should be preparing its FR Y-9 reports in accordance with FIN 48.

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 Gloria Scott at (212) 720-7348 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 Lamar
Senior Vice President
Statistics Function

Revisions to the FR Y-9C for June 30, 2009

Report Form

Balance Sheet

1. An item for "Direct and indirect investments in real estate ventures" (item 9) was added.
Securities (Schedule HC-B)
2. Mortgage-backed securities (MBS) (item 4) was revised to add the term "residential" to "Residential pass-through securities" (item 4.a), "Other residential mortgage-backed securities" (item 4.b) and "All other residential mortgage-backed securities" (item 4.b(3)).
3. Items for "Commercial pass-through securities" (item 4.c(1)) and "Other commercial MBS" (item 4.c(2)) were added.
4. Items for "Structured financial products" (item 5.b) was added and separated into three items, (1)cash, (2)synthetic, and (3)hybrid.
5. New memoranda items were added for structured financial products by underlying collateral or reference asset. Specifically, "Trust preferred securities issued by financial institutions" (item 6.a), "Trust preferred securities issued by real estate investment trusts" (item 6.b), "Corporate and similar loans" (item 6.c), "1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs) (item 6.d), "1-4 family residential MBS not issued or guaranteed by GSEs" (item 6.e), "Diversified (mixed) pools of structured financial products" (item 6.f), and "Other collateral or reference assets" (item 6.g).

Loans (Schedule HC-C)

1. A memorandum item for "Pledged loans and leases" (item 14) was added.

Trading Assets and Liabilities (Schedule HC-D)

1. Mortgage-backed securities (MBS) (item 4) was revised to add the term "residential" to "Residential pass-through securities issued or guaranteed by FNMA, FHLMC, or GNMA (item 4.a), "Other residential mortgage-backed securities issued or guaranteed by FNMA, FHLMC, or GNMA" (item 4.b), and "All other residential mortgage-backed securities" (item 4.c).
2. An item for "Commercial MBS" (item 4.d) was added.
3. An item for "Structured financial products" (item 5.a) was added and separated into three items, (1)cash, (2)synthetic, and (3)hybrid.
4. An item for "All other debt securities" (item 5.b) was added.
5. New memoranda items were added for structured financial products by underlying collateral or reference asset. Specifically, "Trust preferred securities issued by financial institutions" (item 3.a), "Trust preferred securities issued by real estate investment trusts" (item 3.b), "Corporate and similar loans" (item 3.c), "1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs) (item 3.d), "1-4 family

residential MBS not issued or guaranteed by GSEs" (item 3.e), "Diversified (mixed) pools of structured financial products" (item 3.f), and "Other collateral or reference assets" (item 3.g).

6. Memorandum items for "Pledged securities" (item 4.a) and "Pledged loans" (item 4.b) were added.

Derivatives and Off-Balance Sheet Items (Schedule HC-L)

1. An item for the notional value of "Positions covered under the Market Risk Rule" (item 7.c(1)) was added and separated into two items, (1)sold protection, and (2)purchased protection.
2. An item for notional value of "All other positions" (item 7.c(2)) was added and separated into three items, (1)sold protection, (2)purchased protection that is recognized as a guarantee for regulatory capital purposes, and (3)purchased protection that is not recognized as a guarantee for regulatory capital purposes.
3. New items were added for the notional value by remaining maturity of sold and purchased credit protection with breakouts for "Investment grade" and "Subinvestment grade" (items 7.d(1)(a), 7.d(1)(b), 7.d(2)(a), and 7.d(2)(b)).
4. Several new items were added for over-the counter derivatives. Specifically, "Net current credit exposure" (item 15.a), and "Fair value of collateral" (item 15.b) was separated into eight items, (1)Cash-U.S. dollar, (2)Cash-other currencies, (3)U.S. Treasury securities, (4)U.S. Government agency and U.S. Government-sponsored agency debt securities, (5)Corporate bonds, (6)Equity securities, (7)All other collateral, and (8)Total fair value of collateral were added. The following disclosures were added for these new items: "Banks and securities firms" (Column A), "Monoline financial guarantors" (Column B), "Hedge funds" (Column C), "Sovereign governments" (Column D), and "Corporations and all other counterparties" (Column E).

Assets and Liabilities Measured at Fair Value (Schedule HC-Q)

1. New items were added for "Available-for-sale securities" (item 1), "Federal funds sold and securities purchased under agreements to resell" (item 2), "Loan and leases held for sale" (item 3), "Loans and leases held for investment" (item 4), "Total assets measured at fair value on a recurring basis" (item 7), "Federal funds purchased and securities sold under agreements to repurchase" (item 9), "Other borrowed money" (item 11), "Subordinated notes and debentures" (item 12), "Total liabilities measured at fair value on a recurring basis" (item 14), "All other assets (itemize and describe amounts included in Schedule HC-Q, item 6 that are greater than $25,000 and exceed 25% of item 6)" (Memoranda item 1) with preprinted captions for (a)Mortgage servicing assets and (b)Nontrading derivative assets, and "All other liabilities (itemize and describe amounts included in Schedule HC-Q, item 13 that are greater than $25,000 and exceed 25% of item 13) (Memoranda item 2) with preprinted captions for (a)Loan commitments (not accounted for as derivatives) and (b)Nontrading derivative liabilities.
2. "Trading assets" (item 5) was separated into two items, (1)Derivative assets and (2)Other trading assets.
3. "Trading liabilities" (item 10) was separated into two items, (1)Derivative liabilities, and (2)Other trading liabilities.
4. An item for "Loans and leases" (item 1) was deleted.

Regulatory Capital (Schedule HC-R)

1. An item for unused commitments "With an original maturity of one year or less to asset-backed commercial paper conduits" (item 53.b) was added.
2. The memorandum item 2.g caption was changed to "Credit derivatives contracts: Purchased credit protection that (a) is a covered position under the market risk rule or (b) is not a covered position under the market risk rule and is not recognized as a guarantee for risk-based capital purposes".

Miscellaneous

1. Schedule HC-M, "Investments in real estate" (item 6) was deleted.
2. Schedule HC-M, "Real estate acquired in satisfaction of debt previously contracted" (item 13.a) was renumbered to item 13 and the caption changed to "Other real estate owned".
3. Schedule HC-M, "Other real estate owned" (item 13.b) and "Total" (item 13.c) were deleted.
4. Schedule HC-N, Memoranda item 6 caption was changed to "Derivative contract: Fair value of amounts carried as assets".
5. "Cumulative effect of the initial application of FSP FAS 115-2 on other-than-temporary impairment" (item 1) preprinted caption was added to Notes to the Income Statement–Other.
6. "Amounts of excess restricted core capital elements included in Schedule HC-R, item 10" (item 1) preprinted caption was added to Notes to the Balance Sheet-Other.

<u>Instructions</u>

1. General instructions for reporting criteria were revised to clarify the reporting criteria for tiered bank holding companies.
2. General instructions for rules of consolidation were revised to clarify the reporting of noncontrolling (minority) interests.
3. General instructions for exclusions from coverage of the consolidated report was revised to remove the exclusion for equity securities acquired for debt previously contracted since it is no longer applicable under GAAP, and to clarify the exclusion for subsidiaries where the control does not rest with the parent.
4. General instructions for negative entries were revised to add to item 10 "Schedule HC, item 26(c), "Other equity capital components" a list of permissible negative entries.
5. Schedule HI, "Interest income on balances due from depository institutions" (item 1.c) was revised to clarify the reporting of balances due from Federal Reserve Banks.
6. Schedule HC-Q, General Instructions was revised to indicate that all bank holding companies must complete this schedule.
7. Schedule HC-R, "Net unrealized gains (losses) on available-for-sale securities" (item 2) was revised to include other-than temporary impairment losses on held-to-maturity securities and available-for-sale securities related to other than credit loss reported in Schedule HC, item 26.b.
8. Schedule HC-R was revised to clarify and correct errors in the section "Reporting of Qualifying Restricted Core Capital Elements in Tier 1 Capital".
9. Schedule HC-R, "Qualifying Class A noncontrolling (minority) interests in consolidated subsidiaries" (item 6.a) and "Qualifying restricted core capital elements (item 6.b) were revised to clarify the definition of noncontrolling (minority interest.

10. Schedule HC-R, “Disallowed goodwill and other disallowed intangible assets” (item 7.a) was revised to make the instructions consistent with the Call Report instructions.
11. Schedule HC-R was revised to add a section on the treatment of purchased subordinated securities that are direct credit substitutes not eligible for the ratings-based approach.
12. Schedule HC-R, Memoranda, “Qualifying Class B noncontrolling (minority) interest” (item 8.a) and “Qualifying Class C noncontrolling (minority) interest” (item 8.b) were revised to clarify the definition of noncontrolling (minority) interest.
13. Schedule R, Memoranda, “Ratio of qualifying restricted core capital elements to total core capital elements” (item 10) was revised to clarify the instructions and correct the ratio calculation.
14. The glossary entry for bank-owned life insurance was revised to incorporate updated guidance from the March 2009 supplemental instructions.
15. The glossary entry for loans secured by real estate was revised to make the instructions consistent with the Call Report instructions.
16. The glossary entry for trouble debt restructuring was revised to incorporate updated guidance from the March 2009 supplemental instructions.

Revisions to the FR Y-11 for June 30, 2009

Instructions

1. General instructions for applicability of generally accepted accounting principles were revised to add guidance for reporting
ownership interest in the subsidiary.
2. Schedule IS, “Noninterest expense: Pertaining to nonrelated organizations” (item 7.a) was revised to eliminate the reporting of minority interest in the net income or loss of the subsidiary.
3. Schedule BS, “Other liabilities” (item 14) was revised to eliminate the reporting of minority interest in the subsidiary.

Revisions to the FR 2314 for June 30, 2009

Instructions

1. General instructions for applicability of generally accepted accounting principles were revised to add guidance for reporting ownership interest in the subsidiary.
2. Schedule IS, "Noninterest expense: Pertaining to nonrelated organizations" (item 7.a) was revised to eliminate the reporting of minority interest in the net income or loss of the subsidiary.
3. Schedule BS, "Other liabilities" (item 14) was revised to eliminate the reporting of minority interest in the subsidiary.