

FEDERAL RESERVE BANK *of* NEW YORK

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STATISTICS OFFICER

July 2, 2012

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, 2012

The following report forms and instructions for the June 30, 2012 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

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

There have been changes to the FR Y-9C reporting forms for this quarter. There have been no changes to the FR Y-9LP, FR Y-9SP, FR Y-11, FR 2314, and FR Y-12 reporting forms for this quarter. The FR Y-9C reporting form has been modified to add new items related to past due and nonaccrual purchased credit impaired loans, and to add new items reported on a confidential basis related to representation and warranty reserves for 1-4 family residential mortgage loans sold. The FR Y-9C instructions have been modified to include instructions for the new line items and to clarify certain items on Schedule HC-R with respect to defined benefit postretirement plans. The FR Y-9LP and FR Y-9SP instructions have been updated to indicate the new standard of indicating both the singular and plural versions of a word, e.g., company(ies), etc. In addition, the FR Y-9SP instructions have been modified with clarifications specific to savings and loan holding companies. The FR Y-11/S instructions have been updated to reflect the new page-numbering standard used on the report forms. The revised instruction (data edits) pages for the FR Y-9C have vertical black lines in the margins to annotate revisions.

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

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

The submission deadline for all **FR Y-9C** filers is Thursday, August 9, 2012. Any **FR Y-9C** reports received after 5:00 p.m. on August 9 will be considered late. The submission deadline for all **FR Y-9LP** and **FR Y-9SP** filers is Tuesday, August 14, 2012. Any **FR Y-9LP** and **FR Y-9SP** reports received after 5:00 p.m. on August 14 will be considered late. The submission deadline for the **FR Y-12** is August 14, 2012. Any **FR Y-12** reports received after 5:00 p.m. on August 14 will be considered late unless postmarked by Friday, August 10, or sent by overnight service on Monday, August 13. The submission deadline for the **FR Y-11** and **FR 2314** is Wednesday, August 29, 2012. Any **FR Y-11** and **FR 2314** reports received after 5:00 p.m. on August 29 will be considered late unless postmarked by Friday, August 24, or sent by overnight service on Tuesday, August 28.

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 validity and quality edits are provided at the end of the reporting instructions for the FR Y-9C, FR Y-9LP and FR Y-9SP. The BHC 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 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:

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

Status of Proposed FR Y-9C Revisions for 2012

On November 21, 2011, the Federal Reserve published in the Federal Register several proposed revisions to the FR Y-9C for implementation in 2012. Although some of the proposed FR Y-9C revisions take effect as of June 30, 2012, the Federal Reserve is continuing to evaluate proposed new schedules that would collect disaggregated loan loss allowance data and selected loan origination data in light of the comments received. Decisions regarding these two proposed schedules will be the subject of one or more future Federal Register notices, and any resulting new reporting requirements will not take effect before the December 31, 2012, report date.

Included among the FR Y-9C revisions that take effect this quarter are two new items in Schedule HC-P, 1-4 Family Residential Mortgage Banking Activities (in Domestic Offices), for representation and warranty reserves for 1-4 family residential mortgage loans sold, with separate reporting of reserves for representations and warranties made to (1) U.S. government agencies and government-sponsored agencies and (2) other parties. These two new items will not be publicly disclosed on an individual institution basis. Schedule HC-P is completed by institutions with \$1 billion or more in total assets and smaller institutions with significant mortgage banking activities.

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

For purposes of the FR Y-9 series of reports, savings and loan holding companies (SLHCs) are subject to the same reporting requirements as bank holding companies, unless otherwise noted in the instructions. All references to "bank holding company(s)" are inclusive of "savings and loan holding company(s)" unless otherwise noted.

A. 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.

B. Prior Year-End Balances

The FR Y-9C Schedule HI-A, item 1, and Schedule HI-B, part II, item 1, ask institutions to report total bank holding company equity capital and the total allowance for loan and lease losses, respectively, as most recently reported for the previous calendar year-end (i.e., after any adjustments from amended reports). A SLHC should report the amount of its most recently reported "Total Equity" from TFR Schedule HC, line item HC630, for December 31, 2011, in FR Y-9C Schedule HI-A, item 1, for report dates in 2012. For Schedule HI-B, part II, item 1, a SLHC should report the fully consolidated amount of its allowance for loan and lease losses as of December 31, 2011.

C. 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.

D. Nonbank Subsidiary

The 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.

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 interest¹ (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 stressful financial conditions and the severely constrained ability of BHCs to raise additional capital in the markets.

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"). The ASU's amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for BHCs with a calendar year fiscal year). Early adoption of the ASU is permitted. BHCs should adopt ASU 2011-08 for FR Y-9 reporting purposes in accordance with the standard's effective date and early adoption provisions.

Under ASU 2011-08, a BHC 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. If, after considering all relevant events and circumstances, a BHC determines it is not more likely than not (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the BHC does

¹ Class B minority interest in consolidated subsidiaries is defined as qualifying cumulative perpetual preferred stock directly issued by a consolidated U.S. depository institution or foreign bank subsidiary. Class C minority interest in consolidated subsidiaries is defined as qualifying common stockholders' equity or perpetual preferred stock issued by a consolidated subsidiary that is neither a U.S. depository institution nor a foreign bank.

not need to perform the two-step goodwill impairment test. (In other words, if it is more likely than not - a likelihood of more than 50 percent - that the fair value of a reporting unit is greater than its carrying amount, a BHC would not have to test the unit's goodwill for impairment.) If the BHC instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, a BHC may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The ASU includes examples of events and circumstances that a BHC 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.

For additional information, please refer to ASU 2011-08, which is available at <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=117615631649>

Small Business Lending Fund

The Small Business Lending Fund (SBLF), which was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010, is a \$30 billion fund that encourages lending to small businesses by providing capital to qualified community institutions with assets of less than \$10 billion.

The SBLF Program, which is administered by the U.S. Treasury Department, provided funding to 332 institutions for more than \$4 billion by September 27, 2011, the statutory end of the program:

(<http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx>).

Under the SBLF Program, the Treasury Department purchases noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock is issued by a BHC, it 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 equity capital" in item 1 of Schedule HC-R, Regulatory Capital. 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." [For the FR Y-9LP, Schedule PI-A, part III, item 9, "Proceeds from issuance of preferred stock."]

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Qualifying Subchapter S corporations and mutual institutions issue unsecured subordinated debentures to the Treasury Department through the SBLF. BHCs that issue 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) is 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.”

Accounting for Loan Participations

Amendments to ASC Topic 860, Transfers and Servicing, resulting from Accounting Standards Update No. 2009-16 (formerly FASB Statement No. 166, “Accounting for Transfers of Financial Assets”) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for BHCs with a calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date even if the line of credit agreements were entered into before the effective date. BHCs with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this new accounting standard.

The Glossary entry for “Transfers of Financial Assets” in the FR Y-9C instructions incorporates the provisions of amended ASC Topic 860 and addresses related reporting issues, including a discussion of the reporting treatment of loan participations in accordance with amended ASC Topic 860. In particular, the Glossary entry discusses the reporting of transfers of loans guaranteed by the Small Business Administration (SBA). It describes the SBA’s longstanding requirement obligating the transferor of the guaranteed portion of an SBA loan at a premium to refund the premium to the transferee if the loan is repaid within 90 days of the transfer. The Glossary entry notes that this premium refund obligation is a form of recourse, which causes the transferred guaranteed portion of the loan to not meet the definition of a “participating interest” for this 90-day period during. As a result, the transfer must be accounted for as a secured borrowing during this period. Thereafter, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan now meet the definition of a “participating interest,” the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting in amended ASC Topic 860 are met.

BHCs should note that the SBA recently eliminated its premium refund requirement for transfers of guaranteed portions of SBA loans at a premium effective for loan transfers settled on or after February 15, 2011. The elimination of this obligation removes the key factor that had been preventing the guaranteed and unguaranteed portions of an SBA loan from meeting the definition of a “participating interest” in a transfer of the guaranteed portion at a premium. With the elimination of this obligation from transfers at a premium on or after February 15, 2011, the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan should now normally meet the definition of a “participating interest” on the transfer date. Assuming that is the case, the transfer of the guaranteed portion of an SBA loan should now be able to be accounted for as a sale on the transfer date, with immediate recognition of any gain or loss on the sale in earnings, if all of the conditions for sale accounting set forth in ASC Topic 860 are met.

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.

Because 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 at the time of the restructuring, some institutions have concluded that these restructurings are not TDRs. In making this determination, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. When evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the BHC 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 bank holding company's policies or common market practices) and, if so, 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.

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. However, the outcome of 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), not 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 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 takes effect July 1, 2011, but retrospective application begins 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 will take effect January 1, 2012.) Early adoption of the ASU is permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement.

BHCs 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 BHC's existing accounting policies and practices for identifying TDRs, the BHC 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 BHC's existing accounting policies and practices are consistent with guidance in the ASU, the BHC should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section on "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

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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 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 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>.

Reporting Data for Term Deposits

The Term Deposit Facility (TDF) is a program through which the federal Reserve Banks offer interest-bearing term deposits to eligible institutions. A term deposit is a deposit with a specific maturity date. For FR Y-9C reporting purposes, term deposits offered through the TDF should be treated as balances due from a Federal Reserve Bank. Accordingly, term deposits should be reported in Schedule HC, item 1.b, "Interest-bearing balances." The earnings on these term deposits should be reported in Schedule HI, item 1.c, "Interest income on balances due from depository institutions."

Prepaid Deposit Insurance Assessments

On November 12, 2009, the FDIC Board of Directors 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

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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.

The BHC 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). In general, as a result of the interaction between the prepaid assessments and the regularly quarterly assessments, the amount remaining amount of the prepaid assessments asset, if any, that a BHC should report as a prepaid expense in its June 30, 2012 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 January 1 through March 31, 2012, Insurance Period, which was available on *FDICconnect* as of June 15, 2011;
- Less the estimated amount of the bank subsidiary's regular quarterly assessment for the second quarter of 2012 (which should have been accrued as a charge to expense during the second quarter of 2012). The quarterly assessment for the second quarter of 2012 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>;

This prepaid expense asset should be reported in Schedule HC-F, item 6, "All other assets". The year-to-date deposit insurance assessment expense for 2011 should be reported in Schedule HI, item 7.d, "Other noninterest expense."

The Federal Reserve's risk-based capital standards permit an institution to apply a zero-percent risk weight to claims on U.S. Government agencies. When completing Schedule HC-R, Regulatory Capital, a BHC may assign a zero-percent risk weight to the amount of its consolidated prepaid deposit insurance assessments asset in Schedule HC-R, item 42, "All other assets" of this schedule.

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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

Treasury Department's Community Development Capital Initiative Program

On February 3, 2010, the U.S. Treasury Department announced the creation of the Community Development Capital Initiative (CDCI) program under the Troubled Asset Relief Program (TARP) mandated by the Emergency Economic Stabilization Act of 2008 at <http://www.treasury.gov/press-center/press-releases/Pages/tg533.aspx>. The CDCI program was designed to improve access to credit for small businesses. This new TARP program enabled the Treasury Department to invest lower-cost capital in Community Development Financial Institutions (CDFIs) that lend to small businesses in the country's hardest-hit communities.

For BHCs (other than those that are Subchapter S) approved for participation in the CDCI program, the Treasury Department purchased perpetual preferred stock. BHCs that chose to participate in the program were not required to issue warrants so long as they received \$100 million or less in total funding. The perpetual preferred stock issued to the Treasury Department should be reported on the FR Y-9C report Notes to the Balance Sheet—Other, item 4 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) The perpetual preferred stock issued by BHCs to the Treasury Department is cumulative but for regulatory capital purposes is treated and reported the same as noncumulative perpetual preferred stock as an unrestricted core capital element included in Tier 1 capital. It should 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."

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." [For the FR Y-9LP, Schedule PI-A, part III, item 9, "Proceeds from issuance of preferred stock."] Note that the accretion of any applicable discount (par or liquidation value of preferred stock less the carrying value) is treated as quarterly dividend payments until the 5 year discounted dividend period is over. The quarterly accretion of the discount is reported in Schedule HI-A, item 10, "LESS: Cash dividends declared on preferred stock."

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 CDCI program should be reported in Schedule HC, item 19.a, “Subordinated notes and debentures,” in the Notes to the Balance Sheet—Other, item 4, and in Schedule HC-R, item 6.b, “Qualifying restricted core capital elements (other than cumulative perpetual preferred stock).” (For the FR Y-9LP, Schedule PC, item 16, “Subordinated notes and debentures”). The full amount of such CDCI subordinated debt securities, as well as the full amount of the substantially similar junior subordinated notes issued to the Treasury Department under the Capital Purchase Program of the Troubled Asset Relief Program under the Emergency Economic Stabilization Act of 2008, are included on this line and are includable in tier 1 capital. However, other restricted core capital elements (e.g., trust preferred securities) that are includable in tier 1 capital subject to the quantitative limit for restricted core capital elements are only included on this line to the extent there is capacity for such inclusion in tier 1 capital within the limit applicable to restricted core capital elements included in the BHC’s tier 1 capital.

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 a BHC that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a bank holding company initially applied former FAS 158, the previously recognized postretirement plan amounts must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a bank holding company must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans’ net periodic benefit cost. For further information on accounting for defined benefit postretirement plans, bank holding companies should refer to FAS 158; FASB Statement No. 87, Employers’ Accounting for Pensions; and FASB Statement No. 106, Employers’ Accounting for Postretirement Benefits Other Than Pensions all of which are codified in ASC Topic 715, Compensation-Retirement Benefits.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, BHCs should reverse the effects on AOCI of FAS 158 for regulatory capital

purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize the effect on AOCI of the application of FAS 158 on regulatory capital. BHCs should exclude from regulatory capital any amounts recorded in AOCI resulting from the initial and subsequent application of both the funded status and measurement date provisions of FAS 158.

In addition, when determining the regulatory capital limit for deferred tax assets, a BHC may, but is not required to, adjust the amount of its deferred tax assets for any deferred tax assets or liabilities associated with any amounts recorded in AOCI resulting from the application of FAS 158 that are excluded from regulatory capital (and reported in Schedule HC-R, item 4) in accordance with the preceding guidance. A BHC must follow a consistent approach over time with respect to such adjustments.

The FR Y-9C instruction book update for June 2012 includes revised instructions for Schedule HC-R, items 4, 26, and 42, which provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

Reporting Purchased Subordinated Securities in Schedule HC-S

Bank 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, 2011. These instructions can be accessed via the Federal Reserve's Web site

http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Consolidated Variable Interest Entities

Bank 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

Bank 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

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instructions can be accessed via the Federal Reserve's Web site
(http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

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 Carolyn Polite at (212) 720-5415 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 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 June 2012

Report Form

1. On Schedule HC-N, items 9.a and 9.b. added new items for the outstanding balance and carrying amount of Purchased credit-impaired loans accounted for in accordance with FASB ASC 310-30 (former AICPA Statement of Position 03-3).
2. On Schedule HC-P, items 7.a and 7.b. added new items for Representation and warranty reserves for 1–4 family residential mortgage loans sold to (a) U.S. government agencies and government- sponsored agencies and (b) other parties. These two new items will not be publicly disclosed on an individual institution basis.

Report Instructions

3. The General Instructions were revised to add guidance that Schedule HC-P, items 7.a and 7.b, will be held as confidential.
4. On Schedule HC-R, items 4, 26 and 42, added guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General, for regulatory capital purposes.

Revisions to the FR Y-9LP for June 2012

Report Form

No changes to the FR Y-9LP form.

Report Instructions

1. The Instructions were updated to indicate the new standard of indicating both the singular and plural versions of a word, e.g., company (ies), etc..

Revisions to the FR Y-9SP for June 2012

Report Form

No changes to the FR Y-9SP form.

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Instructions Only

1. The General Instructions were revised to add guidance that savings and loan holding companies (SLHCs) are subject to the same reporting requirements as bank holding companies unless otherwise noted in the instructions.
2. The Worksheet for Schedule SC, item 4(a) was updated to cross-referenced item on the Call Report that collects the total bank equity capital (RC-27(a)).

Revisions to the FR Y-11/S for June 2012

Report Form

No changes to the FR Y-11/s form.

Report Instructions

1. The General Instructions were updated to reflect the new page-numbering standard.