

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

September 30, 2000

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

Enclosed are copies of forms for the following reports
for the quarter ending September 30, 2000:

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

There are no changes to the **FFIEC 002** or **FFIEC 002S**
reporting forms or instructions for **September 30, 2000**.
However, as mentioned in the June 30, 2000 letter, there are
Supplemental Instructions for the FFIEC 002 addressing the
implementation of the Financial Accounting Standards Board
Statement No. 133. Please note that the Supplemental

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Instructions were revised to allow hedge accounting for derivatives with the parent, its branches and subsidiaries.

FFIEC 002 Supplemental Instructions Per FASB Statement No. 133

In June 1999, the Financial Accounting Standards Board (FASB) delayed the implementation of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities.

Statement No. 133 is now effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Branches and agencies must adopt Statement No. 133 for FFIEC 002 reporting purposes upon its effective date based on their fiscal year. Early application is permitted in the FFIEC 002 in accordance with the transition guidance in Statement No. 133. Piecemeal adoption of Statement No. 133 is not permitted.

The FFIEC 002 has not been revised as a result of FASB Statement No. 133. Once an institution adopts Statement No. 133, the fair value of trading derivatives with *nonrelated* parties should continue to be reported in Schedule RAL, Assets and Liabilities, "Trading assets" (Line 1.f) for positive fair values, or Schedule RAL, "Trading liabilities" (Line 4.e) for negative fair values. The fair value of contracts with

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nonrelated parties held for purposes other than trading should be reported in Schedule RAL, "Other assets" (Line 1.h) for positive fair values, or Schedule RAL, "Other liabilities" (Line 4.f) for negative fair values.

The fair value of trading derivatives with *related* parties should be reported in Schedule M, Due from/Due to Related Institutions in the U.S. and in Foreign Countries, "Trading assets and liabilities, related parties" (Part I, Memoranda Line 3), column A for positive fair values, and column B for negative fair values. These amounts should also be reported in Schedule M, "U.S. domiciled offices of related depository institutions (including their IBFs)" (Part I, Line 1), or "Non-U.S. domiciled offices of related depository institutions" (Part I, Line 2), with the appropriate counterparty. The fair value of contracts with *related* parties held for purposes other than trading should be reported in Schedule M, Part I, Line 1 or Line 2, column A for positive fair values, and column B for negative fair values.

Consistent with the guidance in Statement No. 133 and its implementation guidance, intercompany derivatives between a U.S.

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branch or agency and a related party, including the reporting branch or agency's parent bank, may qualify for hedge accounting if it meets the criteria outlined in the guidance.

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

Reports Monitoring

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of each of these reports

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will be monitored, and that submission of initial data via facsimile, even if prior to the deadline, does not constitute timely filing.

An original and one copy of the completed FFIEC 002 and FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than October 30, 2000. Any FFIEC 002/002S reports received after 5:00 p.m. on October 30 will be considered late unless postmarked by October 28 or sent by overnight service by October 29. Complete reports should be submitted to:

Federal Reserve Bank of New York
Statistics Function
33 Liberty Street, 6th Floor
New York, NY 10045

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the September 30, 2000, report date. The staff of this Reserve Bank will monitor

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whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The edits for the FFIEC 002 report that are subject to monitoring have been mailed previously.

Electronic Submission Option

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

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

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

Website

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The FFIEC 002/002S forms and instructions are available on the FFIEC web site at http://www.ffiec.gov/ffiec_report_forms.htm.

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

Sincerely,

Signed by Kenneth P. Lamar

Kenneth P. Lamar
Assistant Vice President
Statistics Function

Mr. Pietrangolare
Ms. Maone
Ms. Miske
Mr. Molloy
Ms. Hyman
Ms. Waldman
Foreign unit

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RRD File

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