

September 28, 2001

**FEDERAL RESERVE BANK OF NEW YORK****NEW YORK, N.Y. 10045-0001**

AREA CODE 212-720-5000

September 28, 2001

TO: The Chief Executive Officer of Each State Member Bank  
Located in the Second Federal Reserve District

As part of a joint mailing with other supervisory agencies, state member banks received their Report of Condition and Income materials for the September 30, 2001 report date from the Federal Financial Institutions Examination Council. The completed report must be submitted to this Bank.

Listed below is a brief summary of two accounting changes that affect the Call Reports and are outlined in more detail in the supplementary instructions.

**FASB Statements Nos. 141 and 142**

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement No. 141 supersedes the previous accounting standard on business combinations (i.e., mergers and acquisitions), Accounting Principles Board (APB) Opinion No. 16, and requires that all business combinations initiated after June 30, 2001, (except for combinations between two or more mutual enterprises) be accounted for by the purchase method. The use of the pooling-of-interests method for those business combinations is prohibited. Statement No. 141 also changes the requirements for recognizing intangible assets as assets apart from goodwill in business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001, or later. The statement specifically identifies core deposit intangibles as one type of intangible that must be recognized as an asset separate from goodwill.

Statement No. 142 supersedes the previous accounting standard on intangible assets, APB Opinion No. 17. This new standard addresses how intangible assets that are acquired individually or with a group of other assets (but not in a

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business combination) should be accounted for upon their acquisition. It also explains how goodwill and other intangible assets should be accounted for after they have been acquired.

Banks must adopt FASB Statements No. 141 and 142 for Call Report purposes in accordance with the effective dates of these standards based on their fiscal years. For a bank that is a subsidiary of a holding company or other company, this includes applying the provisions of Statement No. 142 on goodwill impairment testing by a subsidiary. These provisions require all goodwill recognized by such a bank on its Call Report balance sheet to be accounted for in accordance with Statement No. 142 and to be tested for impairment at the bank level.

Banks with other than calendar year fiscal years that choose to early apply all of the provisions of Statement No. 142 prior to 2002 should report any impairment losses recognized as a result of the standard's required transitional impairment testing as the effect of a change in accounting principle. The effect of the accounting change and related income tax effects should be reported in the Call Report income statement, Schedule RI, item 11, "Extraordinary items and other adjustments, net of income taxes." Until the Call Report income statement format is changed, any goodwill impairment loss that does not result from a transitional impairment test should be included in Schedule RI, item 7.C, "Amortization expense of intangible assets."

Although the accounting rules for goodwill and other intangible assets are changing, there has been no change in the regulatory capital treatment of these assets. The existing regulatory capital limits on servicing assets and purchased credit card relationships remain in effect, and goodwill and other intangible assets continue to be deducted from capital and assets in determining a bank's capital ratios.

A completed Call Report must be electronically submitted no later than **October 30, 2001**. Earlier submission would aid the Federal Reserve in reviewing and processing the report and is encouraged.

Please note that, under the Regulatory Reports Monitoring Program, the timeliness of receipt of the Call Report will be monitored. Any report received after 5:00 p.m. on October 30 will be considered late. Submission of initial data will only be accepted electronically.

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The staff of this bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of Avalidity edits.@ The current edits for the Report of Condition and Income that are subject to monitoring are unchanged and were sent to you in a previous mailing.

**Website**

Report forms and instructions for the Call Report can also be obtained from the FFIEC internet website at the following address:

[www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm)

Copies of this letter and its enclosures have been sent to the report liaison designated by your institution. Any questions about this report may be directed to Richard Crawn, Reports Analyst in the Regulatory Reports Division at (212) 720-7991.

Sincerely,

\*\*Signed by Kenneth P. Lamar\*\*

Kenneth P. Lamar  
Assistant Vice President  
Financial Reports Department