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KENNETH LAMAR
SENIOR VICE PRESIDENT

October 1, 2009

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

The following report forms and instructions for the September 30, 2009 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

- Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002);

- 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); and

- The Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019).

There are changes to the FFIEC 002 reporting form and instructions; however, there are no changes to the FFIEC 002S or 019 reporting forms or instructions for the September 30, 2009 report date.

Specifically, the FFIEC 002 reporting form and instructions were revised to incorporate the recently extended temporary increase in the standard maximum deposit insurance amount from $100,000 to $250,000 per depositor. Accordingly, beginning this quarter, branches and agencies should report the amount and number of deposit accounts (other than retirement deposit accounts) of (1) $250,000 or less and (2) more than $250,000 in Schedule O, Memoranda Lines 1.a and 1.b. In addition, branches and agencies with $1 billion or more in total assets should begin to report the estimated amount of uninsured deposits as of the quarter-end report date based on an insurance limit of $250,000 in Schedule O, Memoranda Line 2. However, banks should continue to complete the brokered deposit and time deposit items in Schedule E, Deposit Liabilities, in accordance with the existing instructions for these items.

FASB Statements No. 166 and 167

In June 2009, the FASB issued Statement No. 166, Accounting for Transfers of Financial Assets (FAS 166), and Statement No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which change the way entities account for securitizations and special purpose entities. FAS 166 revises FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by eliminating the concept of a "qualifying special-purpose entity" and creating the concept of a "participating interest", changing the requirements for derecognition of financial assets, and requiring additional disclosures. FAS 167 revises FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities, by changing when an entity should be consolidated, that is, insufficiently capitalized or is not controlled through voting or similar rights, i.e., a "variable interest entity" (VIE). Under FAS 167, a branch or agency must perform a qualitative assessment to determine whether its variable interest or interests give it a controlling financial interest in a VIE. If a branch's or agency's variable interest or interests provide it with the power to direct the most significant activities of the VIE, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE, the branch or agency is the primary beneficiary of, and therefore must consolidate, the VIE.

Both FAS 166 and FAS 167 take effect as of the beginning of each branch's or agency's first annual reporting period that begins after November 15, 2009, for interim periods therein, and for interim and annual reporting periods thereafter (i.e., as of January 1, 2010, for the branch or agency with a calendar year fiscal year). Earlier application is prohibited. Branches and agencies are expected to adopt FAS 166 and FAS 167 for FFIEC 002 reporting purposes in accordance with the effective date of these two standards.

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 recent market stress events, 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 (e.g., not a forced or distressed sale) at the balance sheet date. Accordingly, fair values should reflect current market conditions and consider recent transaction prices, where available. This fair value objective is generally applicable to all fair value measurements effective for fiscal years beginning after November 15, 2007 with the adoption of FASB Statement No. 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. U.S branches and agencies of foreign banks should consider these clarifications when measuring fair value for FFIEC 002 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. U.S. branches and agencies of foreign banks are expected to adopt FSP FAS 157-4 for FR Y-9 reporting purposes in accordance with the FSP's effective date.

Below is supplemental guidance for the FFIEC 002 addressing the reporting treatment of the Financial Accounting Standards 157 and 159.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, Fair Value Measurements (FAS 157), 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 branch or agency has the ability to access at the measurement date (e.g., the FFIEC 002 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 (FAS 159), issued in February 2007, would allow to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a branch or agency 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 branch or agency may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A branch or agency's decision to elect the fair value option for an eligible item is irrevocable. A branch or agency 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. A branch or agency is also expected to meet the principals and objectives of FAS 159 when applying the fair value option.

Accounting Standards Codification

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at http://asc.fasb.org/.

The FASB Codification is effective for interim and annual periods ending after September 15, 2009. Therefore, effective for the September 30, 2009, and subsequent FFIEC 002 reports, references in the reporting instructions to specific pre-Codification standards under U.S. GAAP (e.g., FASB Statements of Financial Accounting Standards, FASB Interpretations, Emerging Issues Task Force Issues, and Accounting Principles Board Opinions) should be understood to mean the corresponding reference in the FASB's Accounting Standards Codification.

Subscription Service

We offer a subscription service which enables you to receive recent news and updates on our reporting forms and instructions and upcoming Bank events. You can sign up for this service at the following website:
http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

Reports Monitoring

Please note that the timeliness of receipt of each of these reports will be monitored and the 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, 2009. Any FFIEC 002/002S report received after 5:00 p.m. on October 30, 2009 will be considered late unless postmarked by October 27 or sent overnight service by October 29.

An original and one copy of the completed FFIEC 019 must be returned to this Bank, by mail or messenger by November 16, 2009. Any FFIEC 019 received after 5:00 p.m. on November 16, 2009 will be considered late unless postmarked by November 13 or sent by overnight service by November 15. Completed reports should be submitted to:

Federal Reserve Bank of New York
Statistics Function
33 Liberty Street, 4th Floor
New York, NY 10045

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the September 30, 2009 report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of "validity edits." The current edits for the FFIEC 002/002S and FFIEC 019 reports that were sent to you in a previous mailing.

Electronic Submission Option

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

- A timely and efficient alternative to sending the report forms by mail; 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 Carolyn Polite at (212) 720-5415.

Website

The FFIEC 002/002S and the FFIEC 019 forms and instructions are available on the FFIEC website at: http://www.ffiec.gov/ffiec_report_forms.htm.

Questions regarding the FFIEC 002, FFIEC 002S and FFIEC 019 reports should be directed to Gigi Bitton, Senior Reports Analyst in the Regulatory Reporting Division at (212) 720-8478, or Henry Castillo, Team Leader in the Division at (212) 720-1318.

Sincerely,

*Signed by Kenneth Lamar

Kenneth P. Lamar
Senior Vice President
Financial Reports Department