FEDERAL RESERVE BANK OF NEW YORK

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KENNETH LAMAR
VICE PRESIDENT

December 31, 2004

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 December 31, 2004

Enclosed are copies of the following report forms and instructions for the December 31, 2004 reporting date:

(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-9ES);
(4) Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11); and
(5) Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12).

There have been no revisions made to the report forms. The only change to the FR Y-9ES instructions include a validity edit renumbering as well as the addition of quality edits which are found at the end of the instructions.

Significant accounting updates have been provided in this letter and in the attachments.

**FR Y-9ES Reporting Criteria**

The Financial Statements for Employee Stock Ownership Plan Bank Holding Companies (FR Y-9ES) is to be filed by all ESOPs that are also bank holding companies as of the last calendar day of the calendar year. No other FR Y-9 series form is required. Prior to December 31, 2002, an ESOP filed either the Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP) or the Parent Company Only Financial Statements for Small Bank Holding Companies (FR Y-9SP). Bank holding companies that are subsidiaries of ESOP bank holding companies (i.e., a tiered bank holding company) must continue to submit the appropriate reports.

## Reports Submission

All FR Y-9C, FR Y-9LP, and FR Y-9ES 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 BHC's files. For the FR Y-11 and FR Y-12 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.

Under the Regulatory Reports Monitoring Program, the timeliness of receipt of these reports will be monitored. Earlier submission would aid this Bank in reviewing and processing the reports and is encouraged.

The submission deadline for the **FR Y-9C and FR Y-9LP** is Monday, February 14, 2005. Any FR Y-9C and FR Y-9LP report received after 5:00 p.m. on February 14 will be considered late. The submission deadline for the **FR Y-12** is Monday, February 14, 2005. Any FR Y-12 reports received after 5:00PM on February 14 will be considered late unless postmarked by Friday, February 11 or sent by overnight service on Sunday, February 13. The submission deadline for the **FR Y-11** is Tuesday, March 1, 2005. Any reports received after 5:00 p.m. on March 1 will be considered late unless postmarked by Saturday, February 26 or sent by overnight service on Monday, February 28. The submission deadline for the **FR Y-9ES** is July 31, 2005. ESOPs that have filed Form 5558 with the IRS for an extension must submit a copy of the form by July 31, 2005 to receive an extension to October 15, 2005 to coincide with the extended IRS deadline.

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**

On December 15, 2003, the Federal Reserve announced in the *Federal Register* changes to the FR Y-9 series that will require validation checks to be performed by respondents as part of the electronic submission process. This change was implemented as of September 30, 2004, for the FR Y-9C and LP reports and is effective as of December 31, 2004 for the FR Y-9ES report. This change requires that your BHC perform published validity and quality checks on your data (edits) by the filing deadline. Although this change has similarities to the Call Report Modernization initiative, this effort is separate and distinct from that initiative, and it has different technical requirements.

Under the new system, 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 provided technical specifications to software vendors in May 2004.

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.

**FASB Interpretation No. 46**

Accounting Issues

The FASB issued Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities,* in December 2003. Revised interpretation No. 46 replaces interpretation No. 46, which was issued in January 2003. This interpretation explains how to identify a "variable interest entity" (VIE) (previously referred to as a "special purpose entity") and how an organization should assess its interests in a VIE to decide whether to consolidate that entity. VIEs often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, and reinsurance.

In general, a VIE is an entity in which either the controlling financial interests are not voting interests or the equity investors do not bear the entity's residual economic risks. A variable interest is a contractual or ownership interest in an entity that changes when the value of the entity's net assets changes. An organization that has a variable interest (or a combination of variable interests) that will absorb a majority of a VIE's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both, is the "primary beneficiary" of the variable interest entity and must consolidate it.

Bank holding companies with variable interests in VIEs must apply the provisions of Interpretation No. 46 (Revised) to those entities in accordance with the interpretation's effective date and transition provisions on regulatory reports (a summary follows). Special provisions of the revised interpretation apply to organizations that have fully or partially applied Interpretation No. 46 prior to the issuance of the revision. Otherwise, application of the revised interpretation (or Interpretation No. 46) was required of BHCs that are public companies, or subsidiaries of public companies, that have interests in VIEs or potential VIEs December 31, 2003.

Application of Interpretation No. 46 (Revised) by BHCs that are public companies (other than small business issuers), or subsidiaries of such public companies, for all other types of VIEs is required beginning March 31, 2004. Application of Interpretation No. 46 (Revised) by BHCs that are small business issuers, or subsidiaries of small business issuers, to VIEs other than special-purpose entities is required beginning December 31, 2004. Application of Interpretation No. 46 (Revised) by BHCs that are neither public companies nor subsidiaries of public companies is required immediately for VIEs created after December 31, 2003, and for all other VIEs at the beginning of the first fiscal year beginning after December 15, 2004 (March 31, 2005 FR Y-9 reports).

## Reporting of Trust Preferred Securities

Effective with the March 31, 2004 report, the definition of Schedule HC, Balance Sheet, “Other liabilities,” (item 20) and Schedule HC-G, Other Liabilities, “Other,” (item 4) was revised to include trust preferred securities (TRUPs). TRUPs are no longer included in Schedule HC, “Minority interest in consolidated subsidiaries and similar items” (item 22). **This does not represent any change to the risk-based capital treatment for TRUPs.**

Consistent with guidance provided in the July 2, 2003, Federal Reserve Supervisory Letter SR 03-13, BHCs should continue to include eligible trust preferred securities in their tier 1 capital for regulatory capital purposes until further notice. The amounts qualifying for inclusion in tier 1 capital should be reported in Schedule HC-R, Regulatory Capital, “Qualifying trust preferred securities,” (new item 6.b). The Federal Reserve has published in the Federal Register Notice a proposal for the regulatory capital treatment of trust preferred securities. Please reference the Federal Register Notice of May 19, 2004 (Volume 69, Number 97).

Bank holding companies are encouraged to consult with their external auditor on the appropriate application of generally accepted accounting principles (GAAP), including FIN 46 and revised FIN 46 (FIN 46R), on the consolidation or deconsolidation of trusts issuing trust preferred stock for financial statements and regulatory reporting.

Consistent with GAAP and SR 03-13, BHCs that deconsolidate such trusts for financial reporting purposes should include the full amount of the deeply subordinated note issued to the trust in Schedule HC, Balance Sheet, “Other liabilities,” (item 20) and Schedule HC-G, Other Liabilities, “Other,” (item 4) and the BHC’s investment in the special purpose subsidiary should be reported in Schedule HC, “Investments in unconsolidated subsidiaries and associated companies" (item 8). The amount of the subordinated note issued to the trust, net of the BHC's investment in the special purpose subsidiary, is equivalent to the amount of the TRUPs issued. The net amount (that qualifies for inclusion in tier 1 capital) should be reported in item 6.b and in "Other cumulative preferred stock eligible for inclusion in Tier 1 capital" (memoranda item 3.d). Note that amounts reported in item 6.b may differ from amounts reported in memoranda item 3.d because the amount reported in item 6.b is subject to limits. Amounts of TRUPs, (or notes payable to unconsolidated special purpose entities that issue TRUPs, net of the BHC's investment in the entity) that are in excess of the limits for cumulative preferred stock that can be included in Tier 1 capital, should be reported in item 16, "Other Tier 2 capital components."

The investment in unconsolidated subsidiaries that issue TRUPs should not be risk-weighted. This would apply to special purpose entities issuing TRUPs that are not consolidated under FIN 46. The amount of the investment in unconsolidated subsidiaries that issue TRUPs should be reported in column B of Schedule HC-R, line item 42. For purposes of determining the amount available for Tier 1, the amount of TRUPs that has been reported in "other liabilities" for special purpose entities that have not been consolidated should be netted against the amount of the investment in the unconsolidated subsidiary that issued the TRUPs. Therefore, if the investment is netted for determining Tier 1 treatment, a consistent application is to exclude the investment from risk-weighted assets.

Bank holding companies that file the FR Y-11 should continue to report special purpose entities issuing TRUPs that qualify as a subsidiary as defined by Regulation Y and in the FR Y-11 reporting instructions, regardless of whether the entity is consolidated on the FR Y-9C report. BHCs that file the FR Y-9LP should continue to report any notes payable to special-purpose subsidiaries that issue TRUPs in Schedule PC-B, item 16 (and included in Schedule PC, item 18(b) and Schedule PC-B, item 5(b)). However, for purposes of reporting Schedule PC-B "Total combined loans and leases of nonbank subsidiaries" (item 15.b), the term "subsidiary" includes only companies that have been consolidated in the FR Y-9C. Therefore, if the BHCs has deconsolidated the special purpose entity issuing TRUPs, the loan from the subsidiary to the parent BHCs would not be included in this item.

## Asset-Backed Commercial Conduits

On July 28, the banking agencies issued a final rule amending their risk-based capital standards to make permanent an existing interim risk-based capital treatment for assets in ABCP conduits that sponsoring banking organizations are required to consolidate in accordance with Interpretation No. 46 (Revised). Under the final rule, sponsoring banking organizations are permitted to exclude the consolidated ABCP program assets from their risk-weighted asset bases when they calculate their risk-based capital ratios. The final rule also requires banking organizations to hold risk-based capital against eligible ABCP program liquidity facilities with an original maturity of one year or less that provide liquidity support to these programs by imposing a 10 percent credit conversion factor on such facilities effective September 30, 2004. Eligible liquidity facilities with an original maturity exceeding one year remain subject to the current 50 percent credit conversion factor. All liquidity facilities that provide liquidity support to ABCP will be treated as eligible liquidity facilities until September 30, 2005. Beginning September 30, 2005, however, ineligible liquidity facilities (both short-term and long-term) are treated as direct credit substitutes or recourse obligations and are subject to a 100 percent credit conversion factor. For all liquidity facilities, the resulting credit equivalent amount is risk weighted according to the underlying assets, after consideration of any collateral, guarantees, or external ratings, if applicable. Bank holding companies involved with ABCP programs should refer to the final rule for complete information on the risk-based capital treatment of these programs.

In addition, any minority interests in consolidated ABCP programs are not eligible for inclusion in Tier 1 capital (or total risk-based capital). The final rule also does not alter the accounting rules for balance sheet consolidation under Interpretation No. 46 (Revised), nor does it affect the denominator of the Tier 1 leverage capital ratio calculation, which continues to be based primarily on on-balance sheet assets as reported under generally accepted accounting principles.

Under the agencies' final rule, banking organization sponsors of any consolidated ABCP programs should include the consolidated assets in the appropriate balance sheet asset categories when completing items 34 through 43, column A, in Schedule HC-R, Regulatory Capital. The amounts of these consolidated assets should also be reported in items 34 through 43, column B, "Items not Subject to Risk-Weighting," unless the BHC has chosen to consolidate the ABCP program assets onto its balance sheet for risk-based capital purposes, as permitted under the final rule, and risk weights them accordingly.

However, unless this consolidation option has been chosen, sponsoring banking organizations must continue to hold risk-based capital against all exposures arising in connection with these programs, whether or not the programs are consolidated for accounting purposes, including direct credit substitutes, recourse obligations, residual interests, and loans. These exposures should be reported in the appropriate items of Schedule HC-R. Furthermore, BHCs that provide eligible liquidity facilities to ABCP programs, whether or not they are the program sponsor, must report these facilities in Schedule HC-R, item 53 (unless a sponsor has chosen the consolidation option). The full amount of the unused portion of an eligible liquidity facility with an original maturity exceeding one year should be reported in item 53, column A. For an eligible liquidity facility with an original maturity of one year or less, 20 percent of the unused portion of the facility should be reported in item 53, column A, to produce the effect of a 10 percent conversion factor when reporting the credit equivalent amount of the liquidity facility in item 53, column B. Finally, any minority interests in consolidated asset-backed commercial paper programs should not be included in Schedule HC-R, item 6.a, “Qualifying minority interests in consolidated subsidiaries and similar items.”

For those ABCP programs that a BHC consolidates onto its FR Y-9C balance sheet, any credit enhancements and liquidity facilities the BHC provides to the conduit should not be reported in Schedule HC-L, Derivatives and Off-Balance Sheet Items. In contrast, for programs that are not consolidated, a BHC should report the credit enhancements and liquidity facilities it provides to the programs in the appropriate items of Schedule HC-L.

For purposes of Memorandum item 3 of Schedule HC-S, Servicing, Securitization, and Asset Sale Activities, BHCs must report data on credit enhancements and liquidity facilities provided to asset-backed commercial paper conduits regardless of their accounting treatment for the conduit. Thus, whether or not a BHC must consolidate the conduit for reporting purposes in accordance with FASB Interpretation No. 46, the BHC must report its maximum credit exposure arising from and its unused commitments to conduit structures in Memorandum items 3.a and 3.b, respectively.

**EITF Issue No. 03-1 on Other-Than-Temporary Impairment**

In March 2004, the FASB ratified the consensus reached by its Emerging Issues Task Force (EITF) on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The EITF’s consensus applies to debt and equity securities accounted for under FASB Statement No. 115, i.e., held-to-maturity securities and available-for-sale securities, and to equity securities that do not have readily determinable fair values that are accounted for at cost. The consensus establishes a three-step process for determining when an investment is impaired, whether that impairment is other than temporary, and how to measure the impairment loss if the impairment is deemed to be other than temporary. This process is to be applied to individual securities. An individual security is considered impaired if its fair value is less than its cost. If, upon evaluation, the impairment of an individual security is determined to be other than temporary (which does not mean permanent), an impairment loss must be recognized in earnings for the difference between the security's cost and its fair value.

Bank holding companies must follow the recognition and measurement guidance in EITF Issue No. 03-1, except for the provisions relating to interest rate impairments of debt securities that cannot contractually be prepaid or otherwise settled in such a way that the bank would not recover substantially all of its cost, beginning with their FR Y-9C reports for September 30, 2004. The FASB deferred the effective date of these interest rate impairment provisions. The deferral would last until the effective date of additional proposed guidance from the FASB on the application of these interest rate impairment provisions.

## Accounting for Deferred Compensation Agreements, Including Indexed Retirement Plans

On February 11, 2004, the Federal Reserve issued supervisory letter SR-04 with an attached Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance. The agencies had found some institutions incorrectly accounting for their obligations under a type of deferred compensation agreement commonly referred to as a revenue neutral plan or an indexed retirement plan, the typical characteristics of which are described in the advisory. The benefits payable to employees under these plans generally are based on the performance of the bank-owned life insurance (BOLI) policies on these employees.

The agencies believe the guidance in the advisory on the appropriate accounting for deferred compensation agreements and BOLI is consistent with generally accepted accounting principles. Attachments 1 and 2 include tables that outline the appropriate reporting of BOLI and deferred compensation agreement on the FR Y-9C

Bank holding companies should review their accounting for deferred compensation agreements to ensure that their obligations to employees under these agreements have been properly measured and reported. As indicated in the interagency advisory, any necessary changes in a BHCs accounting for these agreements should be reflected beginning with the March 31, 2004, FR Y-9C. Unless amendments to prior FR Y-9C reports are required, corrections of material errors on prior years' earnings, net of applicable taxes, should be reported as an adjustment to the beginning balance of equity capital (i.e., as a prior period adjustment) in Schedule RI-A, item 2.

**Reporting "Loaned" Securities on the Balance Sheet**

The Glossary entry for "Securities Borrowing/Lending Transactions" in the FR Y-9C instructions states on page GL-60 that when such transactions do not qualify as sales under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, securities lenders and borrowers should account for the transactions as secured borrowings. In this situation, the securities "loaned" are considered pledged as collateral against the amount borrowed. The Glossary entry currently instructs the securities lender to recategorize the "loaned" securities on its balance sheet from securities to "Other assets." After consulting with the FASB, the agencies concluded that securities lent in transactions accounted for as secured borrowings should no longer be recategorized. Instead, the "loaned" securities should continue to be reported on the balance sheet as available-for-sale securities, held-to-maturity securities, or trading assets, as appropriate. "Loaned" securities that are reported as available-for-sale or held-to maturity in Schedule HC-B, Securities, should also be reported as "Pledged securities" in Memorandum item 1 of the schedule. The FR Y-9C instructions will be revised accordingly when it is next updated.

**AICPA Statement of Position 03-3 on Purchased Loans**

In December 2003, the AICPA issued Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. In general, this Statement of Position (SOP) applies to purchased impaired loans, i.e., loans that a banking organization has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the BHC will be unable to collect all contractually required payments receivable. The SOP does not apply to the loans that a BHC has originated.

Under this SOP, a purchased impaired loan is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). The SOP limits the yield that may be accreted on the loan (the accretable yield) to the excess of the BHC's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the loan over the BHC's initial investment in the loan. The excess of contractually required cash flows over the cash flows expected to be collected on the loan, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the nonaccretable difference may be shown on the balance sheet. After acquisition, increases in the cash flows expected to be collected generally should be recognized prospectively as an adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as an impairment.

The SOP prohibits a BHC from "carrying over" or creating valuation allowances in the initial accounting for purchased impaired loans. This prohibition applies to the purchase of an individual impaired loan, a pool or group of impaired loans, and impaired loans acquired in a purchase business combination.

The SOP applies to loans acquired in fiscal years beginning after December 15, 2004, with early adoption permitted. Bank holding companies must follow this SOP for FR Y-9C reporting purposes in accordance with its effective date based on their fiscal years.

**GNMA Mortgage Loan Optional Repurchase Program**

Government National Mortgage Association (GNMA) mortgage-backed securities are backed by residential mortgage loans that are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs/Veterans Administration (VA), or the Farmers Home Administration (FmHA). GNMA programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100 percent of the remaining principal balance of the loan. Under FASB Statement No. 140 (FAS 140), *Accounting for Transfers and Servicing of*

*Financial Assets and Extinguishments of Liabilities,* this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional.

When the loans backing a GNMA security are initially securitized, FAS 140 permits the issuer of the security to treat the transaction as a sale for accounting purposes because the conditional nature of the buy-back option means that the issuer does not maintain effective control over the loans. The loans are removed from the issuer's balance sheet. When individual loans later meet GNMA's specified delinquency criteria and are eligible for repurchase, the issuer (provided the issuer is also the servicer) is deemed to have regained effective control over these loans and, under FAS 140, the loans can no longer be reported as sold. The delinquent GNMA loans must be brought back onto the issuer/servicer's books as assets and initially recorded at fair value, regardless of whether the issuer intends to exercise the buy-back option. An offsetting liability would also be recorded. Whether or not these rebooked delinquent loans are repurchased, the issuer/servicer should report them as loans on the FR Y-9C balance sheet (Schedule HC) and related schedules. These loans should be reported as held- for-sale (Schedule HC, item 4.a) or held-for-investment (Schedule HC, item 4.b), based on facts and circumstances, in accordance with GAAP. These loans should not be reported as "Other assets" (Schedule HC, item 11). The offsetting liability should be reported as "Other borrowed money" (Schedule HC, item 16).

For risk-based capital purposes, these rebooked loans should be risk-weighted in the same manner as all other FHA, VA, and FMHA loans, i.e., at 20 percent to the extent of the conditional guarantee. For leverage capital purposes, these rebooked loans should be included in the BHC's average total assets.

## **Accelerated Filing Deadline**

The acceleration of the filing deadline for top-tier FR Y-9C filers has been approved and will follow the SEC's phased-in approach by implementing a 40-day deadline beginning in June 2004. The new filing deadlines apply for the March, June, and September report dates. The December filing deadline for top-tier FR Y-9C filers will remain at 45 days after the report date.

The FR Y-9LP and all lower-tier BHCs that file the FR Y-9C are not subject to the accelerated deadline. The deadline for these reports will remain at 45 days after the report date.

## Edit Checklist

The staff of this Bank will monitor whether BHCs are meeting their basic reporting requirements through the use of "validity edits". Enclosed are the updates to the monitoring edits. Please note these updates to ensure your institution meets these edit tests. Also, to avoid common reporting errors, we are now providing a list of edit checks which we perform between the FR Y-9LP and FR Y-9C reports.
In addition to the validity edits, we also perform quality edit checks. These quality edit checks are available on the Federal Reserve Banks website at www.federalreserve.gov under "Reporting Instructions".

## Electronic Submission Option

This Bank offers BHCs the option of submitting their FR Y-11 and FR Y-12 reports electronically. Any BHC interested in submitting these reports electronically should contact Zina Rakhovich at (212) 720-8237 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.

In addition, we now offer distribution of this letter, report forms, and instructions via e-mail. If you are interested in receiving this electronically, please fax the attached form to Hilda Hyman at (212) 720-2364.

## Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-9ES, FR Y-11 and FR Y-12 are also 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 Juan Carlos Climent in the Policy and Analysis Department at (212) 720-1555.

Sincerely,

-- Signed by Kenneth Lamar --

Kenneth P. Lamar
Vice President
Financial Reports Department

## Attachment 1

**Reporting of BOLI and Deferred Compensation Agreements**

The table below sets forth the appropriate reporting of BOLI in the FR Y-9C report.

| Y-9C Item | Amount to Report |
|---|---|
| Schedule HC, Item 11, "Other assets," and Schedule HC-F, Item 5, "All other assets" | Include the amount that could be realized under BOLI policies as of the report date. |
| Schedule HC-F, Item 5.a, "Cash surrender value of life insurance" | Include the amount that could be realized under BOLI policies as of the report date if such amount exceeds 25% of the total of "All other assets" reported in Schedule HC-F, Item 5. |
| Schedule HI, Item 5.l, "Other noninterest income" | Include the net change in the cash surrender value of BOLI policies. [1] |
| Schedule HI-E, Memoranda item 6.b, "Earnings on/increase in value of cash surrender value of life insurance" | Include the net change in the cash surrender value of BOLI policies if such amount is greater than 1% of the sum of total interest income and total noninterest income. |
| Schedule HI, Item 7.d, "Other noninterest expense" | Include the BOLI expenses for policies in which the institution is the beneficiary.[2] |
| Schedule HI-E, Item 2.h, "Other noninterest expense" | Include the BOLI expenses for policies in which the institution is the beneficiary if such amount is greater than 1% of the sum of total interest income and total noninterest income. |

[1] For the FR Y-9C, the net earnings (losses) on or the net increases (decreases) in the cash surrender value may be reported. Alternatively, the gross earnings (losses) on or increases (decreases) in value may be reported in Schedule HI, Item 5.l, and the BOLI policy expenses may be reported in Schedule HI, Item 7.d.

[2] Applicable for the FR Y-9C report only if institutions report the gross earnings (losses) on or increases (decreases) in the cash surrender value in FR Y-9C Schedule HI, Item 5.l.

## Attachment 2

The table below sets forth the appropriate reporting of deferred compensation agreements in the FR Y-9C report.

| FR Y-9C Item | Amount to Report |
|---|---|
| Schedule HC, Item 20, “Other liabilities,” and Schedule HC-G, Item 4, “All other liabilities” | Include the amount of deferred compensation liabilities. |
| Schedule HI, Item 7.a, “Salaries and employee benefits” | Include the annual compensation expense (service component and interest component) related to deferred compensation agreements. |