

FEDERAL RESERVE BANK OF NEW YORK

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KENNETH LAMAR
VICE PRESIDENT

January 2, 2007

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 and forms for the following reports for
the quarter ending December 31, 2006:

- 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 no changes to the FFIEC 002, 002S or 019 reporting
forms or instructions for the December 31, 2006 report date.

Below is supplemental guidance for the FFIEC 002 addressing
the reporting treatment of the Financial Accounting Standards 156
and 155.

FASB Statement No. 156 on Servicing

FASB Statement No. 156, Accounting for Servicing of
Financial Assets (FAS 156), issued in March 2006, requires all
separately recognized servicing assets and liabilities to be
initially measured at fair value. It then permits an entity to

choose to subsequently measure each class of servicing assets and liabilities at fair value with changes in fair value recognized in earnings. If fair value is not elected, each class of servicing is subsequently accounted for using the amortization method that applied to all servicing assets and liabilities prior to the issuance of FAS 156. A branch or agency identifies its classes of servicing assets and liabilities based on the availability of market inputs for estimating their fair value, its method for managing the risks of its servicing assets and liabilities, or both. A branch or agency election of the fair value option for a class of servicing is irreversible. The election can be made for an individual class of servicing assets and liabilities upon adoption of FAS 156 or at the beginning of any subsequent fiscal year.

Branches and agencies must adopt FAS 156 for FFIEC 002 reporting purposes as of the beginning of their first fiscal year that begins after September 15, 2006. Earlier adoption of FAS 156 is permitted as of the beginning of an earlier fiscal year, provided the branch or agency has not yet issued a financial statement or filed a FFIEC 002 report for any period of that fiscal year. Thus, a branch or agency with a calendar year fiscal year must adopt FAS 156 as of January 1, 2007, unless it elected earlier adoption and applied FAS 156 in its originally filed March 31, 2006 FFIEC 002 report.

When reporting the carrying amount of mortgage and nonmortgage servicing assets (FFIEC 002: Schedule RAL, Assets and Liabilities, "All Other Assets", (item 1.h), branches and agencies should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for at fair value. The fair value of all recognized mortgage servicing assets should be reported on Schedule RAL, Assets and Liabilities, "All Other Assets", (item 1.h). Changes in the fair value of any class of servicing assets to which the fair value option is applied should be included in the unremitted profit (loss) account reported in Schedule M.

FASB Statement No. 155 on Hybrid Financial Instruments

FASB Statement No. 155, Accounting for Certain Hybrid Financial Instruments (FAS 155), issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under FASB Statement No. 133 (FAS 133) on derivatives. Bifurcation is required when the economic characteristics and risks of the embedded derivative are not clearly and closely related economically to the economic

characteristics and risks of the host contract and certain other conditions are met. Under the fair value option in FAS 155, a branch or agency may irrevocably elect to initially and subsequently measure an eligible hybrid financial instrument in its entirety at fair value, with changes in fair value recognized in earnings. The election can be made on an instrument-by-instrument basis, but must be supported by appropriate documentation. In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133.

FAS 155 should be applied to all financial instruments acquired, issued, or subject to a remeasurement event (as defined in the standard) occurring after the beginning of the first fiscal year that begins after September 15, 2006. The fair value option may also be applied upon adoption of FAS 155 to existing hybrid financial instruments that had been bifurcated prior to adoption. Earlier adoption of FAS 155 is permitted as of the beginning of an earlier fiscal year, provided the branch or agency has not yet filed a FFIEC 002 series report for any period of that fiscal year.

Following the adoption of FAS 155, hybrid financial instruments to which the fair value option has been applied should not be reclassified as trading assets or trading liabilities solely due to the election of this option. Such hybrid financial instruments should continue to be reported in the asset or liability category appropriate to the instrument. If a hybrid financial instrument to which the fair value option has been applied is a security, it should be included in available-for-sale securities on the balance sheet (FFIEC 002, Schedule RAL, item 1.b or 1.c) and the security's fair value should be reported in (FFIEC 002, memo item 3 and 4).

New Subscription Service

We are offering a new 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 new service at the following website:
http://service.govdelivery.com/service/subscribe.html?code=USFRBN_EWYORK_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

January 2, 2007

FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than January 30, 2007. Any FFIEC 002/002S report received after 5:00 p.m. on January 30, 2007 will be considered late unless postmarked by January 26 or sent overnight service by January 29.

An original and one copy of the completed FFIEC 019 must be returned to this Bank, by mail or messenger by February 14, 2006. Any FFIEC 019 received after 5:00 p.m. on February 14, 2006 will be considered late unless postmarked by February 9 or sent by overnight service by February 13. 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 December 31, 2006 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

January 2, 2007

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 Carolina Reyes, Reports Analyst in the Regulatory Reporting Division at (212) 720-2695, or Doug Herold, Team Leader in the Division at (212) 720-8591.

Sincerely,

-- Signed by Kenneth Lamar --

Kenneth P. Lamar
Vice President
Statistics Function

Enclosures