FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

December 31, 2007

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, 2007

The following report forms and instructions for the December 31, 2007 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

(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);
(5) Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314); and
(6) Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12).

There have been no changes to the FR Y-9C, FR Y-9LP, FR Y-9ES, FR Y-11, FR 2314, and FR Y-12 for this quarter. Significant accounting updates have provided in this letter.

Subscription Service

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

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 BHCs as of the last calendar day of the calendar year. No other FR Y-9 series form is required. Bank holding companies that are subsidiaries of ESOP BHCs (i.e., a tiered BHC) 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 BHCs files. For the FR Y-11, FR 2314, and FR Y-12 reports 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.

The Federal Reserve continues to monitor the timeliness of receipt of these reports. Earlier submission would aid this Bank in reviewing and processing the reports and is encouraged.

The submission deadline for all **FR Y-9C and FR Y-9LP** filers is Thursday, February 14, 2008. Any FR Y-9C and FR Y-9LP reports received after 5:00 p.m. on February 14 will be considered late. The submission deadline for the **FR Y-12** is Thursday, February 14, 2008. Any FR Y-12 reports received after 5:00 p.m. on February 14 will be considered late unless postmarked by Monday, February 11 or sent by overnight service on Wednesday, February 13. The submission deadline for the **FR Y-11** and **FR 2314** is Friday, February 29, 2008. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on February 29 will be considered late unless postmarked by Tuesday, February 26 or sent by overnight service on day, February 28. The submission deadline for the **FR Y-9ES** is July 31, 2008. ESOPs that have filed form 5558 with the IRS for an extension must submit a copy of the form by July 31, 2008 to receive an extension to October 15, 2008 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

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 will continue to provide updates about the enhanced IESUB submission process on the web site: www.reportingandreserves.org under the heading BHC Modernization project.

Split-Dollar Life Insurance Arrangements

The Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) has issued guidance on the accounting for the deferred compensation and postretirement benefit aspects of split-dollar life insurance arrangements. This guidance is effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years, with earlier application permitted. EITF Issue No. 06-4 addresses endorsement split dollar arrangements (http://www.fasb.org/pdf/abs06-4.pdf) while EITF issue No. 06-10 covers collateral assignment split dollar arrangements (http://www.fasb.org/pdf/abs06-10.pdf). In general, in an endorsement split-dollar arrangement, the employer (such as a BHC or subsidiary) owns and controls the insurance policy on the employee, whereas in a collateral assignment split-dollar arrangement, the employee owns and controls the insurance policy.

An employer, such as a BHC, should recognize a liability for the postretirement benefit related to a split-dollar life insurance arrangement if, based on the substantive agreement with the employee, the BHC has agreed to maintain a life insurance policy during the employee's retirement or provide the employee with a death benefit. This liability should be measured in accordance with either FASB Statement No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract). In addition, for a collateral assignment split-dollar arrangement, the EITF also reached a consensus that an employer such as a BHC should recognize and measure an insurance asset based on the nature and substance of the arrangement.

BHCs with split-dollar life insurance arrangements must apply the consensuses in EITF Issues No. 06-4 and No. 06-10 for FR Y-9 reporting purposes in accordance with their effective date. Thus, a BHC with a calendar year fiscal year must apply the relevant guidance as of January 1, 2008, and should recognize the effects of applying the consensus as a cumulative-effect adjustment to the opening balance of retained earnings on that date. This adjustment should be reported in Schedule HI-A, item 2, “Restatements due to corrections of material accounting errors and changes in accounting principles,” and may be separately disclosed in Schedule HI, Notes to the Income Statement—Other.

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 have declined.

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, whether or not a bank holding company has early adopted FASB Statement No. 157, Fair Value Measurements, which is discussed in the following section.

On October 3, 2007, the Center for Audit Quality (CAQ), which is affiliated with the American Institute of Certified Public Accountants, issued a white paper entitled *Measurements of Fair Value in Illiquid (or Less Liquid) Markets* (http://www.aicpa.org/caq/download/WP_Measurements_of_FV_in_Illiquid_Markets.pdf). The white paper discusses issues associated with fair value measurement under existing generally accepted accounting principles (GAAP) in the context of the conditions that currently exist in many segments of the credit markets. Although the CAQ's white paper was directed to auditors and public companies, the paper articulates certain existing GAAP requirements related to fair value measurement issues that apply to all institutions, whether or not they are public companies. For FR Y-9 reporting purposes, BHCs should consider the fair value measurement information contained in the CAQ's white paper.

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 BHC has the ability to access at the measurement date (e.g., the FR Y-9C 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.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a FR Y-9C report for any period of that fiscal year. Thus, a BHC with a calendar year fiscal year may voluntarily adopt FAS 157 as of January 1, 2007. For those financial instruments identified in FAS 157 to which the standard must be applied retrospectively upon initial application, the effect of initially applying FAS 157 to these instruments should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. This adjustment should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and separately described in the Notes to the Income Statement—Other.

FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), issued in February 2007, allows BHCs to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a BHC 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 BHC may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A BHC's decision to elect the fair value option for an eligible item is irrevocable. A BHC 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.

FAS 159 is effective as of the beginning of a BHC's first fiscal year that begins after November 15, 2007, and should not be applied retrospectively to prior fiscal years, except as permitted in the standard's early adoption provisions. A BHC was permitted to adopt FAS 159 and elect the fair value option for existing eligible items as of the beginning of a fiscal year that begins on or before November 15, 2007, subject to the conditions set forth in the standard, one of which is a requirement to adopt all of the requirements of FAS 157 at the early adoption date of FAS 159 or earlier. Under the early adoption provisions of FAS 159, a BHC with a calendar year fiscal year was permitted to adopt this standard as of January 1, 2007, provided it decided to do so by April 30, 2007 and it adopted FAS 157 as of January 1, 2007 or earlier. Therefore, if a BHC with a calendar year fiscal year has not already adopted FAS 159 in accordance with its early adoption provisions, it must wait until January 1, 2008 to adopt this standard. If a BHC elects the fair value option for eligible items that exist on the effective date of its adoption of FAS 159, the BHC must report the effect of the first remeasurement of these items to fair value as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. The difference between the carrying amount and the fair value of eligible items for which the fair value option is elected at the effective date should be removed from the balance sheet (Schedule HC) and included in the cumulative-effect adjustment. This adjustment should be reported in Schedule HI-A, item 2, “Restatements due to corrections of material accounting errors and changes in accounting principles,” and separately described in the Notes to the Income Statement—Other.

On April 17, 2007, the Center for Audit Quality (CAQ), which is affiliated with the American Institute of Certified Public Accountants, issued Alert No. 2007-14, *FAS 159 Early Adoption Date Approaching – Factors to Consider* (http://www.thecaq.org/newsroom/pdfs/CAQPressRelease_041807a.pdf). The Alert summarized the principles and objectives of the fair value option as set forth in FAS 159 and provides factors to consider in determining whether an entity has substantively adopted FAS 159 on a go forward basis. Although the CAQ’s Alert was directed to auditors and public companies, the factors concerning the evaluation of an entity’s purported early adoption of FAS 159 are equally appropriate for nonpublic institutions. For regulatory reporting purposes, bank holding companies are expected to meet the principles and objectives of FAS 159 when applying the fair value option and should consider the information contained in the CAQ’s Alert.

The Federal Reserve is considering the regulatory capital implications of the use of a fair value option, including the fair value option in FASB Statements No. 155 and No. 156, which are discussed in later sections of these Supplemental Instructions. Except as discussed below, changes in the fair value of assets and liabilities to which a fair value option is applied that are recognized in earnings should be reflected in Tier 1 capital, pending further guidance from the Federal Reserve. For a liability to which a fair value option is applied, bank holding companies should consider the effect of a change in their own creditworthiness on the fair value of the liability. The Federal Reserve has determined that bank holding companies should exclude from Tier 1 capital the cumulative change in the fair value of liabilities accounted for under a fair value option that is included in retained earnings (Schedule HC, item 26.a) and is attributable to changes in the bank holding company's own creditworthiness. For regulatory capital purposes, this excluded portion of the change in fair value is, in essence, an adjustment to the bank holding company’s reported retained earnings and should be reported in Schedule HC-R, item 7.b, so that it is taken into account in determining the Tier 1 capital subtotal (reported in Schedule HC-R, item 8) that is used to determine the regulatory capital limits on such items as servicing assets, deferred tax assets, and credit-enhancing interest-only strips.

Schedule HC-Q, Financial Assets and Liabilities Measured at Fair Value

FR Y-9C Schedule HC-Q, Financial Assets and Liabilities Measured at Fair Value, is to be completed by BHCs that have adopted FAS 157 and either (1) have elected the fair value option under FAS 159 or under FASB Statements No. 155 or 156, which are discussed below, or (2) are required to complete Schedule HC-D, Trading Assets and Liabilities (BHCs that meet this criteria but do not meet criteria (1) must complete *only* Schedule HC-Q items 2 and 5, and leave items 1, 2.a, 3, 4, 6 and 7 blank). This schedule captures fair value data on total trading assets and liabilities and on those other assets, liabilities, and loan commitments to which the fair value option is being applied. Accordingly, BHCs should not include data in Schedule HC-Q on securities reported as available-for-sale on the FR Y-9C balance sheet (Schedule HC, item 2(b)) or on derivatives held for purposes other than trading that are reported as “Other assets” or “Other liabilities” (Schedule HC, item 11, or item 20). In general, when reporting total fair values in column A of Schedule HC-Q, BHCs should include the total of their Level 1, Level 2, and Level 3 fair value measurements, not just the fair values measured under Levels 2 and 3 that are reported in columns B and C of the schedule. Bank holding companies are permitted to offset the fair value amounts reported in column A in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, and FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements*, as described below.

Under FAS 159, securities that a BHC has elected to report at fair value under the fair value option are reported as trading securities even though management did not acquire the securities principally for the purpose of selling them in the near term or for other trading purposes. Thus, such securities, whether held on the date of adoption of FAS 159 or acquired thereafter, should be reported in Schedule HC-Q in both item 2, “Trading assets,” and item 2.a, “Nontrading securities at fair value with changes in fair value reported in current earnings.”

Trading assets reported in Schedule HC, item 5, include derivatives with a positive fair value resulting from the "marking to market" of derivative contracts held for trading purposes as of the report date. Similarly, trading liabilities reported in Schedule HC, item 15, include derivatives with a negative fair value held for trading purposes as of the report date. Derivative contracts with the same counterparty that have positive and negative fair values and meet the criteria for a valid right of setoff contained in FASB Interpretation No. 39 (e.g., those contracts subject to a qualifying master netting agreement) may be reported on a net basis in items 5 or 15 of Schedule HC, as appropriate. Schedule HC-Q, items 2 and 5, column A, must equal total trading assets and total trading liabilities reported in Schedule HC, items 5 and 15, respectively. Therefore, Schedule HC-Q, items 2 and 5, column A, should include derivatives held for trading purposes whose fair values have been reported on a net basis for balance sheet purposes. However, BHCs should report fair value amounts for derivatives held for trading purposes in Schedule HC-Q, items 2 and 5, column B (Level 2 fair value measurements) and column C (Level 3 fair value measurements) on a gross basis. If reporting such derivatives in columns B and C on a gross basis causes a BHC not to pass any FR Y-9C validation criteria (quality edits), then the BHC should indicate this gross versus net reporting of derivative fair values in its edit explanations for these quality edits. This approach also applies to repurchase and reverse repurchase agreements reported in Schedule HC-Q, items 2, 3, 5, and 6, with the same counterparty that have positive and negative fair values and meet the criteria for a valid right of setoff contained in FASB Interpretation No. 41.

FASB Statement No. 158 on Defined Benefit Postretirement Plans

FASB Statement No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans (FAS 158), issued in September 2006, requires a BHC that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a BHC initially applies FAS 158, the postretirement plan amounts recognized on the BHC’s balance sheet before applying FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a BHC must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans’ net periodic benefit cost.

Bank holding companies that sponsor single-employer defined benefit postretirement plans must adopt FAS 158 for regulatory reporting purposes in accordance with the standard's effective date and transition provisions. Accordingly, BHCs that have “publicly traded equity securities,” as defined in FAS 158, must initially recognize the funded status of these plans as of the end of the fiscal year ending after December 15, 2006. All other BHCs must initially recognize the funded status of these plans as of the end of the fiscal year ending after June 15, 2007. Thus, BHCs that have a calendar year fiscal year must adopt FAS 158 as of December 31, 2006, if they have "publicly traded equity securities" and as of December 31, 2007, if they do not. Early adoption of FAS 158 is permitted, but must be for all of an institution's benefit plans. For FR Y-9C reporting purposes, BHCs should report the adjustments to the ending balance of AOCI from initially applying FAS 158 as of the end of their fiscal year, net of tax, in item 12, "Other comprehensive income," of Schedule HI-A, Changes in Equity Capital.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, BHCs should exclude from regulatory capital any amounts recorded in AOCI resulting from the adoption and application of FAS 158. For FR Y-9C purposes, these excluded amounts should be reported in item 4 of Schedule HC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule HC, item 26.b) for defined benefit postretirement plans under FAS 158 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule HC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule HC-R.

For purposes of calculating risk-based capital and the leverage ratio, BHCs should also adjust their assets for the amount of the AOCI offset affecting assets. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying FAS 158 should be reported as an adjustment to assets in item 42 of Schedule HC-R, column B, and should also be reported in item 26 of Schedule HC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying FAS 158 should be recorded as a negative amount in item 42, column B, of Schedule HC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in item 26 of Schedule HC-R. As another example, a benefit plan surplus asset recognized as an offset to AOCI and included in item 42, column A, of Schedule HC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting this amount as a positive number in item 26 of Schedule HC-R. The adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

FASB Interpretation No. 48 on Uncertain Tax Positions

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, Accounting for Income Taxes. Under FIN 48, the term “tax position” refers to “a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities.” FIN 48 further states that a “tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets.”

According to FIN 48, a BHC should initially recognize the effects of a tax position in its financial statements when, based on the technical merits, it is more likely than not (i.e., a likelihood of more than 50 percent) that the position will be sustained upon examination by the taxing authority, including the resolution of any related appeals or litigation. The more-likely-than-not evaluation must consider the facts, circumstances, and information available at the report date. When a tax position meets the more-likely-than-not recognition threshold, it should initially and subsequently be measured as the largest amount of tax benefit greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. FIN 48 also provides guidance on subsequent recognition, derecognition, and measurement of tax positions, including the effect of changes in judgment, and on the recognition of interest and penalties.

Bank holding companies must adopt FIN 48 for regulatory reporting purposes for fiscal years beginning after December 15, 2006. FIN 48 permits earlier adoption as of the beginning of an earlier fiscal year, provided the BHC has not yet issued a financial statement or filed a regulatory report for any period of that fiscal year. Because FIN 48 was issued in June 2006, i.e., after the filing of the March 31, 2006, FR Y-9C or FR Y-9LP reports, a BHC with a calendar year fiscal year may not adopt FIN 48 early and must begin to apply this interpretation as of January 1, 2007.

Electronic Submission Option

This Bank offers BHCs the option of submitting their FR Y-11, FR 2314, and FR Y-12 reports electronically. Any BHC interested in submitting these reports electronically should contact Gloria Scott at (212) 720-7348 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.

Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-11, FR 2314 and FR Y-12 are 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 Katherine Tilghman in the Policy and Analysis Department at (212) 720-5935.

Sincerely,

-- Signed by Richard Molloy --

Richard Molloy
Statistics Officer
Financial Reports Department