FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

January 13, 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 December 31, 2008 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 December 31, 2008 report date.

The FFIEC 002 reporting form and instructions for Schedule O were revised to add two items for institutions participating in the Temporary Liquidity Guarantee (TLG) Program to report the amount (item M.6.a) and number (item M.6.b) of noninterest-bearing transaction accounts, as defined, over $250,000, including amounts swept from noninterest-bearing transaction accounts into noninterest-bearing savings accounts. A participating institution has the option to exclude amounts in custodial or escrow noninterest-bearing transaction accounts over $250,000 on which pass-through insurance coverage applies as well as amounts in noninterest-bearing transaction accounts over $250,000 that are otherwise insured under joint account relationships or other existing provisions of the FDIC's deposit insurance rules to the extent that these amounts can be determined by the institution and are fully supported in the institution's regulatory reporting work papers. A participating institution is not required to make a determination of amounts over $250,000 that are otherwise insured but may do so at its option. Please refer to the attachment included with this letter for further details on the changes impacting the December 2008 report.

In June 30, 2008 the FFIEC 002 report form and instructions for Schedule O were revised. For an interim period covering the June 30, 2008, through December 31, 2008, report dates, each FDIC-insured branch must complete either:

(1) The revised format of Schedule O, items A through C on an unconsolidated single FDIC certificate number basis and Memorandum items 1 through 3;

OR

(2) The current format of Schedule O, items 1 through 7 and Memorandum items 1 through 5.

The revised format will take effect for all FDIC-insured branches on March 31, 2009, when the current format will be eliminated. Although the use of the revised format is not required for report dates in 2008, an FDIC-insured branch that chooses to begin reporting under the revised format for any quarter-end report date during the interim period may elect to report, on an unconsolidated single FDIC certificate number basis, quarter-end total deposits, allowable exclusions, and foreign deposits only (in items A through C) or quarter-end balances and daily averages for the quarter (in items A through F). However, once an FDIC-insured branch chooses to begin reporting quarter-end total deposits, allowable exclusions, and foreign deposits under the revised format in any quarter during the interim period, it must continue to report under the revised format of Schedule O each quarter thereafter and may not revert back to the current format of Schedule O. In addition, once an FDIC-insured branch begins to report daily averages in any quarter during the interim period, it must continue to report daily averages each quarter thereafter, including in 2009 and subsequent years. The deposit insurance assessment base of an FDIC-insured branch that reports daily averages for total deposits and allowable exclusions (including foreign deposits) will be determined using the daily averages rather than the branch's quarter-end balances.

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

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.

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 branch or an agency 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. For FFIEC 002 reporting purposes, a branch or agency should consider the fair value measurement information contained in the CAQ's white paper. In addition, 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. On October 10, 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a*

Financial Asset When the Market for That Asset Is Not Active (FSP FAS 157-3) (http://www.fasb.org/pdf/fsp_fas157-3.pdf). This FSP clarifies the application of FAS 157 in such a market and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Branches and agencies should consider these clarifications when measuring fair value for FFIEC002 reporting purposes.

FASB Statement No. 157 on Fair Value Measurement

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.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. Branches or agencies must adopt FAS 157 for FFIEC 002 reporting purposes in accordance with the standard's effective date. Thus, a branch or agency with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008.

FASB Statement No. 159 on Fair Value Option

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.

FAS 159 is effective for financial statements issued by the parent bank for fiscal years that begin after November 15, 2007.

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, branches and agencies 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.

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 January 30, 2009. Any FFIEC 002/002S report received after 5:00 p.m. on January 30, 2009 will be considered late unless postmarked by January 28 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 17, 2009. Any FFIEC 019 received after 5:00 p.m. on February 17, 2009 will be considered late unless postmarked by February 13 or sent by overnight service by February 14. 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, 2008 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 Susanna Asaad, Senior Reports Analyst in the Regulatory Reporting Division at (212) 720-8021, or Henry Castillo, Team Leader in the Division at (212) 720-1318.

Sincerely,

-- Signed by Richard Molloy --

Richard Molloy
Statistics Officer
Financial Reports Department