FEDERAL RESERVE BANK of NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

RICHARD ROBERTS
STATISTICS OFFICER

December 31, 2012

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, 2012

The following report forms and instructions for the December 31, 2012 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 changes to the FR Y-9C reporting forms and instructions for this quarter. There have been no changes to the FR Y-9LP, FR Y-9SP, FR Y-11, FR 2314, and FR Y-12 reporting forms for this quarter. The FR Y-9C reporting form has been modified to include minor edits to two footnotes. The FR Y-9C general instructions have been modified to include a reference to reporting by securities holding companies. The FR Y-9ES reporting form cover page has been reformatted, and a footnote was added to Schedule SB-M—Memoranda. The FR Y-9ES instructions have been modified to add guidance addressing reporting by savings and loan holding companies, and to incorporate references to the FASB Accounting Standards Codification (ASC). Minor clarifications were made to the FR Y-11/S instructions. There are no changes to the FR Y-9LP and FR Y-9SP instructions. The revised instruction (data edits) pages for the FR Y-9C, FR Y-9ES and FR Y-11/S have vertical black lines in the margins to annotate revisions.

T 212.720.2537 | **F** 212.720.2478 | **E** Richard.Roberts@ny.frb.org | **W** www.newyorkfed.org

Supplemental instructions concerning current accounting and reporting issues affecting the FR Y-9 series of reports are provided in this letter. A summary of significant updates to the FR Y-9C, FR Y-9ES and FR Y-11/S reporting forms and instructions is included in Attachment.

Subscription Service

We offer 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 service at the following website:
http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

Reports Submission

All FR Y-9C and FR Y-9LP 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** filers is Thursday, February 14, 2013. Any **FR Y-9C** reports received after 5:00 p.m. on February 14 will be considered late. The submission deadline for all **FR Y-9LP** filers is Thursday, February 14, 2013. Any **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 February 14, 2013. 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, March 1, 2013. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on February 28 will be considered late unless postmarked by Monday, February 25 or sent by overnight service on Wednesday, February 27. The submission deadline for the **FR Y-9ES** is July 31, 2013. ESOPs that have filed form 5558 with the IRS for an extension must submit a copy of the form by July 31, 2013 to receive an extension to October 15, 2013.

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 validity and quality edits are provided at the end of the reporting instructions for the FR Y-9C and FR Y-9LP. The BHC will also be provided a method for supplying explanations for quality edits. (Guidelines for providing quality explanations can be found at: http://www.frbservices.org/centralbank/reportingcentral/iesub.html. 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:
http://www.frbservices.org/centralbank/reportingcentral/iesub.html.

Status of Proposed FR Y-9C Revisions for 2012

On November 21, 2011, the Federal Reserve published in the Federal Register several proposed revisions to the FR Y-9C for implementation in 2012. Although some of the proposed FR Y-9C revisions took effect as of June 30, 2012, the Federal Reserve is continuing to evaluate proposed new schedules that would collect disaggregated loan loss allowance data and selected loan origination data in light of the comments received. Decisions regarding these two proposed schedules will be the subject of one or more future Federal Register notices, and any resulting new reporting requirements will not take effect before the March 31, 2013, report date.

Reporting Issues Associated with Savings and Loan Holding Companies Filing the FR Y-9 Reports

For purposes of the FR Y-9 series of reports, savings and loan holding companies (SLHCs) are subject to the same reporting requirements as bank holding companies, unless otherwise noted in the instructions. All references to "bank holding company(s)" are inclusive of "savings and loan holding company(s)" unless otherwise noted.

A. Income Statement

The FR Y-9 income statements must be prepared on a calendar year-to-date basis, regardless of an institution's fiscal year, rather than on a quarterly basis as was done in TFR Schedule HC. Further, for purposes of the FR Y-9 series of reports, a SLHC should report income from its savings association(s), nonbank subsidiary(s) and subsidiary savings and loan holding company(s) (as defined in section 238.2 of Regulation LL) following the same guidelines and accounting rules set forth in the reporting instructions for a bank holding company.

B. Prior Year-End Balances

FR Y-9C Schedule HI-A, item 1, and Schedule HI-B, part II, item 1, ask institutions to report total bank holding company equity capital and the total allowance for loan and lease losses, respectively, as most recently reported for the previous calendar year-end (i.e., after any adjustments from amended reports). A SLHC should report the amount of its most recently reported "Total Equity" from TFR Schedule HC, line item HC630, for December 31, 2011, in FR Y-9C Schedule HI-A, item 1, for report dates in 2012. For Schedule HI-B, part II, item 1, a SLHC should report the fully consolidated amount of its allowance for loan and lease losses as of December 31, 2011.

C. Regulatory Capital Schedule

SLHCs should note that they are not required to complete Schedule HC-R, Regulatory Capital, until the consolidated regulatory capital requirements for SLHCs are established.

D. Nonbank Subsidiary

FR Y-9LP, Schedule PC-B, Memoranda items 15(a) through 15(f), collect information on nonbank subsidiaries of bank holding companies. However for SLHCs the definition of a nonbank does not include its thrift (as defined in Section 238.2 of Regulation LL) and, therefore, the SLHC should not report its thrift in items 15(a) through 15(h). *For purpose of this report, a SLHC should report income from and its investment in its savings association(s), nonbank subsidiary(s), and subsidiary SLHC(s) following the same guidelines and accounting rules set forth in these instructions for a bank holding company. Income should be reporting in Schedule PI and investments activities should be reported in Schedule PC-A.*

Indemnification Assets and Accounting Standards Update No. 2012-06

In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-06, "Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution," to address the subsequent measurement of an indemnification asset recognized in an acquisition of a financial institution that includes an FDIC loss-sharing agreement. This ASU amends ASC Topic 805, Business Combinations (formerly FASB Statement No. 141 (revised 2007),"Business Combinations"), which includes guidance applicable to FDIC-assisted acquisitions of failed institutions.

Under the ASU, when an institution experiences a change in the cash flows expected to be collected on an FDIC loss-sharing indemnification asset because of a change in the cash flows expected to be collected on the assets covered by the loss-sharing agreement, the institution should account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. Any amortization of changes in the value of the indemnification asset should be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets.

The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2012. For institutions with a calendar year fiscal year, the ASU takes effect January 1, 2013. Early adoption of the ASU is permitted. The ASU's provisions should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from an FDIC-assisted acquisition of a financial institution. Institutions with indemnification assets arising from FDIC loss-sharing agreements are expected to adopt ASU 2012-06 for FR Y-9C reporting purposes in accordance with the effective date of this standard.

For additional information, institutions should refer to ASU 2012-06, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Goodwill Impairment Testing

In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, "Testing Goodwill for Impairment," to address concerns about the cost and complexity of the existing goodwill impairment test in ASC Topic 350, Intangibles-Goodwill and Other (formerly FASB Statement No. 142, "Goodwill and Other Intangible Assets"). The ASU's amendments to ASC Topic 350 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (i.e., for annual or interim tests performed on or after January 1, 2012, for bank holding companies with a calendar year fiscal year). Early adoption of the ASU was permitted. Bank holding companies should adopt ASU 2011-08 for FR Y-9 reporting purposes in accordance with the standard's effective date and early adoption provisions.

Under ASU 2011-08, a bank holding company has the option of first assessing qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test described in ASC Topic 350. If, after considering all relevant events and circumstances, a bank holding company determines it is not more likely than not (that is, a likelihood of 50 percent or less) that the fair value of a reporting unit is less than its carrying amount (including goodwill), then the bank holding company does not need to perform the two-step goodwill impairment test. (In other words, if it is more likely than not - a likelihood of more than 50 percent - that the fair value of a reporting unit is greater than its carrying amount, a bank holding company would not have to test the unit's goodwill for impairment.) If the bank holding company instead concludes that the opposite is true (that is, it is more likely than not that the fair value of a reporting unit is less than its carrying amount), then it is required to perform the first step and, if necessary, the second step of the two-step goodwill impairment test. Under ASU 2011-08, a bank holding company may choose to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The ASU includes examples of events and circumstances that a bank holding company should consider in evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

For additional information, please refer to ASU 2011-08, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

Small Business Lending Fund

The Small Business Lending Fund (SBLF) was enacted into law in September 2010 as part of the Small Business Jobs Act of 2010 to encourage lending to small businesses by providing capital to qualified community institutions with assets of less than $10 billion. The SBLF Program is administered by the U.S. Treasury Department (http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx).

Under the SBLF Program, the Treasury Department purchased noncumulative perpetual preferred stock from qualifying depository institutions and holding companies (other than Subchapter S and mutual institutions). When this stock has been issued by a bank holding company, it should be reported on the FR Y-9C balance sheet (Schedule HC) in item 23, "Perpetual preferred stock and related surplus." [For the FR Y-9LP, Schedule PC, item 20.a; for the FR Y-9SP, Schedule SC, item 16.a] For regulatory capital purposes, this noncumulative perpetual preferred stock qualifies as a component of Tier 1 capital and should be included in the amount reported for "Total bank holding company equity capital" in item 1 of Schedule HC-R, Regulatory Capital.

Qualifying Subchapter S corporations and mutual institutions issued unsecured subordinated debentures to the Treasury Department through the SBLF. Bank holding companies that issued these debentures should report them on the FR Y-9C balance sheet (Schedule HC) in item 19.a, "Subordinated notes and debentures." [For the FR Y-9LP, Schedule PC, item 16, "Subordinated notes and debentures;" for the FR Y-9SP, Schedule SC, item 11, "Long-term borrowings."] For regulatory capital purposes, the debentures are eligible for inclusion in an institution's Tier 2 capital. Institutions should report the portion of these debentures that qualify for inclusion in Tier 2 capital in accordance with the Federal Reserve's capital standards in Schedule HC-R, item 12, "Qualifying subordinated debt, redeemable preferred stock, and restricted core capital elements."

To participate in the SBLF Program, an institution with outstanding securities issued to the Treasury Department under the Capital Purchase Program (CPP) was required to refinance or repay in full the CPP securities at the time of the SBLF funding. Any outstanding warrants that an institution issued to the Treasury Department under the CPP remain outstanding after the refinancing of the CPP stock through the SBLF Program unless the institution chooses to repurchase them. An institution's redemption of CPP noncumulative perpetual preferred stock should be reported in Schedule HI-A, item 5.b, "Conversion or retirement of perpetual preferred stock," [for the FR Y-9LP, Schedule PI-A, part III, item 10, "Payment to repurchase preferred stock"] and a reduction to zero of balances reported in Schedule HC-M, item 24.a, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Senior perpetual preferred stock or similar items." Any repurchase of warrants classified as equity capital on the balance sheet (Schedule HC), should also be reported in Schedule HI-A, item 14, "Other adjustments to equity capital," and a reduction to zero of balances reported in Schedule HC-M, item 24.a, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items."

Troubled Debt Restructurings and Current Market Interest Rates

Many institutions are restructuring or modifying the terms of loans through workout programs, renewals, extensions, or other means to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings may include, but are not limited to, reductions in principal or accrued interest, reductions in interest rates, and extensions of the maturity date. Modifications may be executed at the original contractual interest rate on the loan, a current market interest rate, or a below-market interest rate. Many of these loan modifications meet the definition of a troubled debt restructuring (TDR).

The TDR accounting and reporting standards are set forth in ASC Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors (formerly FASB Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings," as amended). This guidance specifies that a restructuring of a debt constitutes a TDR if, at the date of restructuring, the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The creditor's concession may include a restructuring of the terms of a debt to alleviate the burden of the debtor's near-term cash requirements, such as a modification of terms to reduce or defer cash payments required of the debtor in the near future to help the debtor attempt to improve its financial condition and eventually be able to pay the creditor.

The stated interest rate charged the borrower after a loan restructuring may be greater than or equal to interest rates available in the marketplace for similar types of loans to nontroubled borrowers at the time of the restructuring. Some institutions have concluded that these restructurings are not TDRs; however, this conclusion may be inappropriate. In reaching this conclusion, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar credits does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the bank holding company has made a concession to the borrower with respect to the market interest rate or has made some other type of concession that could trigger TDR accounting and disclosure (for example, terms or conditions outside of the bank holding company's policies or common market practices) If TDR accounting and disclosure is appropriate, the bank holding company must determine how the modified or restructured loan should be reported.

Generally, a restructured loan yields a current market interest rate if the restructuring agreement specifies an interest rate greater than or equal to the rate that the institution was willing to accept at the time of the restructuring for a new loan with comparable risk. A restructured loan does not yield a market interest rate simply because the interest rate charged under the restructuring agreement has not been reduced. In addition, when a modification results in an increase (either temporary or permanent) in the contractual interest rate, the increased interest rate cannot be presumed to be an interest rate that is at or above market. Therefore, in determining whether a loan has been modified at a market interest rate, an institution should analyze the borrower's current financial condition and compare the rate on the modified loan to rates the institution would charge customers with similar financial characteristics on similar types of loans. This determination requires the use of judgment and should include an analysis of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

Likewise, a change in the interest rate on a modified or restructured loan does not necessarily mean that the modification is a TDR. For example, a creditor may lower the interest rate to maintain a relationship with a debtor that can readily obtain funds from other sources. To be a TDR, the borrower must also be experiencing financial difficulties. The evaluation of whether a borrower is experiencing financial difficulties is based upon individual facts and circumstances and requires the use of judgment when determining if a modification of the borrower's loan should be accounted for and reported as a TDR.

An institution that restructures a loan to a borrower experiencing financial difficulties at a rate below a market interest rate has granted a concession to the borrower that results in the restructured loan being a TDR. (As noted above, other types of concessions could also result in a TDR.) In the FR Y-9C report, until a loan that is a TDR is paid in full or otherwise settled, sold, or charged off, the loan must be reported the appropriate loan category in Schedule HC-C, items 1 through 9, and in the appropriate loan category in:

- Schedule HC-C, Memorandum item 1, if it is in compliance with its modified terms, or
- Schedule HC-N, Memorandum item 1, if it is not in compliance with its modified terms.

However, a loan that is a TDR (for example, because of a modification that includes a reduction in principal) that yields a market interest rate at the time of restructuring and is in compliance with its modified terms need not continue to be reported as a TDR in Schedule HC-C, Memorandum item 1, in calendar years after the year in which the restructuring took place. To be considered in compliance with its modified terms, a loan that is a TDR must be in accrual status and must be current or less than 30 days past due on its contractual principal and interest payments under the modified repayment terms.

A loan restructured in a TDR is an impaired loan. Thus, all TDRs must be measured for impairment in accordance with ASC Subtopic 310-10, Receivables – Overall (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended), and the Glossary entry for "Loan Impairment." Consistent with ASC Subtopic 310-10, TDRs may be aggregated and measured for impairment with other impaired loans that share common risk characteristics by using historical statistics, such as average recovery period and average amount recovered, along with a composite effective interest rate. The outcome of applying such an aggregation approach must be consistent with the measurement methods prescribed in ASC Subtopic 310-10 and the "Loan Impairment" Glossary entry for loans that are individually considered impaired (i.e., the present value of expected future cash flows discounted at the loan's original effective interest rate or the loan's observable market price if the loan is not collateral dependent; the fair value of the collateral – less estimated costs to sell, if appropriate – if the loan is collateral dependent). Thus, an institution applying the aggregation approach to TDRs should not use the measurement method prescribed in ASC Subtopic 450-20, Contingencies – Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies") for loans not individually considered impaired that are collectively evaluated for impairment. When a loan not previously considered individually impaired is restructured and determined to be a TDR, absent a partial charge-off, it generally is not appropriate for the impairment estimate on the loan to decline as a result of the change in impairment method prescribed in ASC Subtopic 450-20 to the method prescribed in ASC Subtopic 310-10.

For further information, see the Glossary entry for "Troubled Debt Restructurings" and the instructions for Schedules HC-C and HC-N.

Troubled Debt Restructurings and Accounting Standards Update No. 2011-02

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also intended to reduce diversity in practice in identifying and reporting TDRs. This ASU is effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application will be applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public bank holding companies, the ASU took effect July 1, 2011, but retrospective application began as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic bank holding companies, the ASU took effect January 1, 2012.) Early adoption of the ASU was permitted for both public and nonpublic entities. Nonpublic entities that adopt early are subject to a retrospective identification requirement.

Bank holding companies are expected to continue to follow the accounting and reporting guidance on TDRs in the preceding section of these Supplemental Instructions and in the FR Y-9C instruction book. To the extent the guidance in the ASU differs from a bank holding company's existing accounting policies and practices for identifying TDRs, the bank holding company will be expected to apply the ASU for FR Y-9C reporting purposes in accordance with the standard's effective date and transition provisions, which are outlined above. To the extent that a bank holding company's existing accounting policies and practices are consistent with guidance in the ASU, the bank holding company should continue to follow its existing policies and practices.

ASU 2011-02 reiterates that the two conditions mentioned in the preceding section "Troubled Debt Restructurings and Current Market Interest Rates" must exist in order for a loan modification to be deemed a TDR: (1) a company must grant a concession to the borrower as part of the modification and (2) the borrower must be experiencing financial difficulties. The ASU explains that a company may determine that a borrower is experiencing financial difficulties if it is probable that the borrower will default on <u>any</u> of its debts in the foreseeable future. The borrower does not have to be in default at the time of the modification. Other possible factors that should be considered in evaluating whether a borrower is experiencing financial difficulties is if the borrower has declared (or is in the process of declaring) bankruptcy, the creditor does not expect the borrower's cash flows to be sufficient to service its debt under the existing terms, or there is substantial doubt about an entity's ability to continue as a going concern.

Another important aspect of the ASU is that it prohibits financial institutions from using the effective interest rate test included in the TDR guidance for borrowers in ASC Subtopic 470-60, Debt – Troubled Debt Restructurings by Debtors, when determining whether the creditor has granted a concession as part of a loan modification. However, as explained in ASU 2011-02, if a borrower does not have access to funds at a market rate of interest for similar debt, the rate on the modified loan is considered to be a below-market rate and may be an indicator that the company has granted a concession to the borrower.

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of a loan modification. If, after analysis of all facts and circumstances, a creditor determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan's unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

For additional information, bank holding companies should refer to ASU 2011-02, which is available at http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1176156316498.

<u>Prepaid Deposit Insurance Assessments</u>

In November 2009, the FDIC adopted a final rule requiring insured depository institutions (except those that are exempted) to prepay an FDIC-determined estimate of their quarterly risk-based deposit insurance assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. Each institution's regular risk-based deposit insurance assessment for the third quarter of 2009, which is paid in arrears, also was paid on December 30, 2009. The original full amount of each institution's prepaid assessment was included on its Quarterly Certified Statement Invoice for the third quarter 2009 Insurance Period, which was available on FDIC*connect*, the FDIC's e-business portal, as of December 15, 2009.

Each bank holding company should record the estimated expense for its bank subsidiary's regular quarterly risk-based assessment for each calendar quarter through a charge to expense during that quarter and a corresponding credit to its prepaid assessments asset (or to an accrued expense payable if it has no prepaid assessments asset). As a result of the interaction between the prepaid assessments and the regularly quarterly assessments, the remaining amount of the prepaid assessments asset, if any, that a bank holding company should report as a prepaid expense in its December 31, 2012, FR Y-9C report normally should be:

- The remaining balance of "Prepaid Assessments Credits" shown on the Summary Statement of Assessment Credits page of the bank subsidiary's Quarterly Certified Statement Invoice for the July 1 through September 30, 2012, Insurance Period, which was available on FDIC*connect* as of December 15, 2012;

- Less the estimated amount of the bank subsidiary's regular quarterly assessment for the fourth quarter of 2012 (which should have been accrued as a charge to expense during the fourth quarter of 2012). The quarterly assessment for the fourth quarter of 2012 should be estimated based on the provisions of the FDIC's February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions. For further information on this final rule, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at http://www.fdic.gov/news/news/financial/2011/fil11008.html.

An institution's prepaid assessments asset, if any, should be reported in Schedule HC-F, item 6, "All other assets." The year-to-date deposit insurance assessment expense for 2012 should be reported in Schedule HI, item 7.d, "Other noninterest expense." When completing Schedule HC-R, Regulatory Capital, a bank holding company may assign a zero-percent risk weight to the amount of its consolidated prepaid deposit insurance assessments asset in item 42 of this schedule.

For further information on the FDIC's prepaid assessments final rule, refer to FDIC Financial Institution Letter (FIL) 63-2009 at http://www.fdic.gov/news/news/financial/2009/fil09063.html.

For further guidance on reporting regular quarterly deposit insurance assessments, refer to the Call Report Supplemental Instructions for September 30, 2009, at http://www.ffiec.gov/PDF/FFIEC_forms/FFIEC031_041_suppinst_200909.pdf .

Reporting Defined Benefit Postretirement Plans

ASC Subtopic 715-20, Compensation-Retirement Benefits – Defined Benefit Plans-General (formerly FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158)) requires an institution 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 an institution initially applied former FAS 158, the previously recognized postretirement plan amounts 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, an institution 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. For further information on accounting for defined benefit postretirement plans, institutions should refer to ASC Topic 715, Compensation-Retirement Benefits (formerly FAS 158; FASB

Statement No. 87, "Employers' Accounting for Pensions"; and FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions").

As announced by the Federal Reserve on December 14, 2006, institutions should reverse the effects on AOCI of ASC Subtopic 715-20 for regulatory capital purposes, including for purposes of reporting and measuring the numerators and denominators for the leverage and risk-based capital ratios. The intent of the reversal is to neutralize for regulatory capital purposes the effect on AOCI of the application of ASC Subtopic 715-20.

The FR Y-9C instruction book update for June 2012 included revised instructions for Schedule HC-R, items 4, 26, and 42 that provide guidance on how to report adjustments to Tier 1 capital and risk-weighted and total assets to reverse the effects of applying ASC Subtopic 715-20 for regulatory capital purposes.

Treasury Department's Community Development Capital Initiative Program

Bank holding companies should continue to follow the guidance regarding reporting related to the Treasury Department's Community Development Capital Initiative Program that was included in the FR Y-9C Supplemental Instructions for September 30, 2012. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201209.pdf).

Reporting Purchased Subordinated Securities in Schedule HC-S

Bank holding companies should continue to follow the guidance on reporting purchased subordinated securities in Schedule HC-S that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Consolidated Variable Interest Entities

Bank holding companies should continue to follow the guidance on reporting and accounting for consolidated variable interest entities that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

Treasury Department's Capital Purchase Program

Bank holding companies should continue to follow the guidance on accounting and reporting for the U.S. Treasury Department's Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 that was included in the FR Y-9C Supplemental Instructions for September 30, 2011. These instructions can be accessed via the Federal Reserve's Web site (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201109.pdf).

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 Carolyn Polite at (212) 720-5415 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-9ES, 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 Anthony Guglielmo at (212) 720-8002. Questions regarding the capital adequacy guidelines should be directed to Emily Yang in the Capital Policy and Analysis Department at (212) 720-2734.

Sincerely,

- *Signed by Richard Roberts* -

Richard Roberts
Statistics Officer

ATTACHMENT

Revisions to the FR Y-9C for December 2012

Report Form

(1) *Schedule HI-A, item12, and Schedule HC, item 26.b.* Added clarifying language to the footnote to these items.

Report Instructions

1. *General Instructions.* Clarified that securities holding companies are subject to the same reporting requirements as bank holding companies, and all references to bank holding companies are inclusive of securities holding companies.
2. *Schedule HC-M, item 11.* Removed instruction that savings and loan holding companies should leave this item blank (they are now subject to this reporting requirement).

Revisions to the FR Y-9ES for December 2012

Report Form

(1) *Cover Page.* Reformatted some sections to conform to the standard format.

(2) *Schedule SB-M—Memoranda*. Added a footnote to item 4 to incorporate references to the FASB Accounting Standards Codification (ASC).

Report Instructions

(1) *General Instructions.* Added guidance that savings and loan holding companies (SLHCs) are subject to the same reporting requirements as bank holding companies unless otherwise noted in the instructions. Incorporated references to the FASB Accounting Standards Codification (ASC).

(2) *Schedule SB-M—Memoranda.* Incorporated references to the FASB Accounting Standards Codification (ASC).

(3) *Glossary.* Incorporated references to the FASB Accounting Standards Codification (ASC).

Revisions to the FR Y-11/S for December 2012

Report Instructions

(1) *General Instructions.* Clarified the reporting of when nonbank subsidiaries, either newly formed or due to a business combination, must begin filing quarterly and when they may revert to annual filing.
(2) *Schedule IS, item 5.a.3.* Clarified the reporting of trading revenue.
(3) *Schedule IS-A, item 6.* Clarified the reporting of other adjustments to equity capital.
(4) *Schedule BS, item 14.* Clarified the reporting of other liabilities.
(5) *Schedule BS, item 18.a, 18.b, and 18.f.* Clarified the reporting of several items of equity capital: stock, surplus, and other equity capital components.