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KENNETH LAMAR
VICE PRESIDENT

February 13, 2004

To: The Officer Responsible for the Report of Transaction
Accounts, Other Deposits and Vault Cash (FR 2900) or
the Report of Certain Eurocurrency Transactions
(FR 2950/51)

Subject: Implementation of FIN 46

I am writing to you concerning the reporting treatment of "variable interest entities" (VIE) on the Report of Transaction Accounts, Other Deposits and Vault Cash (FR 2900). On January 26, 2004, Legal staff at the Board of Governors of the Federal Reserve System issued a staff opinion in response to correspondence from a trade association (a copy of the staff opinion is available at http://www.newyorkfed.org/banking/reportingforms/FIN46RegD_bg.pdf). Specifically, the association requested confirmation from Board staff that the implementation of Financial Interpretation No. 46 (FIN 46) does not create a liability subject to reserve requirements under Regulation D, and that the liability created is not subject to Regulation Q.

If the asset-backed commercial paper (ABCP) program meets the criteria included in the staff opinion, liabilities from the consolidation of VIEs are not considered "deposits" as defined in Regulation D and should be excluded from the FR 2900. However, if the ABCP program does not meet the criteria in the staff opinion, the CP issued by the VIE is considered a deposit and should be reported on the FR 2900 based on maturity.

I appreciate your attention to this matter. If you have any questions, or would like additional information, please contact Brian Osterhus, Staff Director of the Deposit Reports Division, at (212) 720-8023.

Sincerely,

-- Signed by Kenneth Lamar --

Kenneth Lamar
Vice President
Domestic Financial Reports