FEDERAL RESERVE BANK *of* NEW YORK

2009 State Member Bank/Bank Holding Company Regulatory Reporting Update

Tuesday, March 24, 2009

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FEDERAL RESERVE BANK *of* NEW YORK

ACCOUNTING TOPICS

Michael Tursi

Regulatory Reports

Statistics Department

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Accounting Issues

- Business combinations
- Other-Than -Temporary Impairment (OTTI)

Business Combinations

- FAS 141(R)
- FAS 160
- Potential Regulatory Implications

FAS 141(R) and 160

- Introduce significant changes in accounting for business acquisitions and noncontrolling interest in a subsidiary at the acquisition date and in subsequent periods.
- Continue the movement toward the greater use of fair value in financial reporting.
- Introduce more volatility into earnings which may impact a company's acquisition strategy.
- Introduce potential implications from a Supervisory and Regulatory applications perspective.

FAS 141(R)

- FAS 141 needed to be revised with the issuance of FAS 157 because of inconsistencies.
- Changes to the rule also to achieve convergence with IFRS.
- Effective for business combinations consummated in fiscal years beginning *after December 15, 2008.*

FAS 141(R) - Scope

- Applies to the acquisitions of *control of a business*
- Does not apply to
  - Joint ventures
  - Acquisition of assets that does not constitute a business (e.g. acquiring a portfolio of loans)
  - Entities or businesses under common control
  - Not-for-profit organizations.

FAS 141(R)

- Definition of a “Business.”
  - Broader definition – Integrated set of activities “capable” of providing a return, dividends, lower costs or other economic benefits
  - Reference in the definition required that a business be “self-sustaining.”
  - Broader definition could capture transactions that were previously asset purchases (e.g. branch network acquisitions)

FAS 141(R)

- Definition of “control.”
  - Expanded definition- control can be obtained through consolidation via FIN 46(R), by lapsing or removing participating rights or on staged acquisitions.
  - Control is obtained through a transaction involving the acquisition of net assets or equity interests.

FAS 141(R)

- Valuation Method
  - Acquisition Method – measure and record the fair value of assets and liabilities.
  - Completely new valuation method based on fair value concepts (FAS 157).
  - Valuation challenges – level 2 and level 3 inputs.

FAS 141(R)

- Measurement date for equity securities issued.
  - The acquisition date or the date when control is obtained
  - Difficult to estimate purchase price and also goodwill until the acquisition date.
  - Banks could use contingency agreements and derivatives to mitigate the risk.

FAS 141(R)

- Measurement Period
  - Revise comparative financial statements as if changes were made at acquisition date for up to one year (restatement).
  - Changes in estimate require restatement.

FAS 141(R)

- Transaction costs of the acquirer (direct external costs)
  - FAS 141(R) follows the tenet that only real assets should be recorded in the combination.
  - Because acquisition related costs are not assets, they will be charged to expense.
  - Decreases goodwill.

FAS 141(R)

- Contingent Consideration
  - Included as part of the paid consideration, measured at fair value.
  - Increases goodwill (higher purchase price)
  - More potential volatility in income.

FAS 141(R)

- Acquired asset or liability contingencies
  - Contractual – Record on acquisition date at fair value.
  - Non Contractual – Record if it is “more likely than not” to generate an asset of liability (>50%).
  - Valuation challenges
  - More volatility in income.

FAS 141(R)

- Valuation allowances for assets (ALLL)
  - Assets are stated at their fair value with no separate valuation allowance
  - ALLL is not carried over to the new entity, disclosure only.
  - Valuation challenges for fair value of loans.

FAS 141(R)

- Mutual entities
  - Use acquisition method
  - No longer the pooling or purchase method under APB 16.
  - Problems with identifying the acquirer in a merger of equals.

FAS 141(R)

- Bargain purchase
  - Acquired assets and liabilities are recorded at fair value and any excess over the purchase price will be credited to a gain that flows to the income statement, net of deferred taxes.
  - No longer record an extraordinary gain after reducing certain long term assets to zero.

FAS 141(R)

- Other changes
  - **Noncontrolling interests** – record 100% of fair value once control is obtained.
  - **Goodwill** – full goodwill method requires that goodwill is apportioned to the controlling and noncontrolling interests.
  - **Step acquisitions** – once control is achieved through a step acquisition, the acquirer will mark each incremental investment to fair value as of acquisition date. Gains and losses from revaluing those holdings will be included in current income.

FAS 141(R)

- Other changes (continued)
  - **In-Process research and development** – record at fair value than amortize upon completion or expense if abandoned.
  - **Adjustments to acquired deferred tax assets and uncertain tax positions** – adjustments made within one year impact goodwill; after one year, adjustments recorded as tax expense.

FAS 160

- Overview
  - A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent.
  - The objective of FAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements.
  - Effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008; earlier adoption is prohibited.

FAS 160

- Scope
  - The Statement applies to all entities that prepare consolidated financial statements, except for not-for-profit organizations
  - Will effect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary.

FAS 160

- Balance Sheet presentation
- Equity divided into parent's equity and noncontrolling interest's equity
  - Classification as liability or a mezzanine item is no longer allowed
- The noncontrolling interests' equity may be negative if its proportionate losses exceed its fair value.
- Disclosure must clearly distinguish between parent interests and the interests of noncontrolling owners

FAS 160

- Income Statement presentation
  - The amount of consolidated income attributable to the parent and to the noncontrolling interest should be identified and clearly presented on the face of the consolidated statement of income.

FAS 160

- Changes in the parent's ownership interest while retaining control
  - The following are equity transactions that result in transfers between parent interests and noncontrolling interests:
    - Parent purchases of additional shares
    - Parent sales of shares
    - Subsidiary reacquires some of its shares
    - Subsidiary issues additional ownership interests

FAS 160 Example

Assume the following information regarding the subsidiary as of the date of acquisition:

	Book value	Fair value	Diff.
Nondepreciable assets	$300,000	$370,000	$ 70,000
Depreciable assets	$600,000	$800,000	$200,000
Liabilities	$100,000	$100,000	
Common stock, par		$700,000	
Retained Earnings		$100,000	

FAS 160 Example

- Additional assumptions:
  - The difference in valuation of nondepreciable assets is due to the fair value of land exceeding its book value.
  - Depreciable assets have an average remaining life of 10 years.
  - The subsidiary's net income for the year was $80,000 and it paid dividends of $10,000.
  - The parent purchased 80% of the subsidiary for $950,000 and there were no unrecorded assets or liabilities.
  - The market value of net identifiable assets on the acquisition date is $1,187,500.

FAS 160 Example

FAS 141	
Parents purchase price	$950,000
Book value of equity acquired:	
80% of common stock + retained earnings=	
80% of ($70,000 + $100,000)	$640,000
Excess	$310,000
Adjust assets to fair value for parent's share:	
Nondepreciable: 80% of $70,000 = $ 56,000	
Depreciable: 80% of $200,000 = $160,000	$216,000
Goodwill	$ 94,000

FAS 160 Example

FAS 141(R)

Fair value of total net assets acquired	$1,187,500
Fair value of subsidiary's identifiable	
net assets: (assets – liabilities)	
$370,000 + $800,000 - $100,000	$1,070,000
Goodwill	$ 117,500

- In the example, asset and liability valuations are greater under FAS 141(R) because they reflect full fair value, which also results in recognition of the full amount of goodwill.

FAS 160 Example

- Under FAS 141(R), the amount of goodwill must than be allocated to the controlling and noncontrolling interests.
- The allocation process first assigns the parent its goodwill, and any remaining amount is attributed to noncontrolling interest:

Fair value of parent's 80% interest (purchase price)	$950,000
Less: Parent's share of fair value of identifiable	
net assets 80% of $1,070,000	$856,000
Parent's share of goodwill	$ 94,000
Total goodwill	$117,500
Less: Parent's share	$ 94,000
Noncontrolling interest's share	$ 23,500

FAS 141(R) and FAS 160

- Potential Regulatory Implications
  - Broadening “Business” definition of a business combination
  - Increased earnings volatility
  - Loan and lease valuations and allowance for loan and lease losses (ALLL)
  - Regulatory capital implications

FAS 141(R) and FAS 160

- Broadening "Business" definition of a business combination
  - More transactions will qualify as business combinations (e.g. some branch acquisitions)
  - Accounting changes will not impact regulatory applications from a business combination definition perspective

FAS 141(R) and FAS 160

- Increased earnings volatility
  - Many direct transaction costs are expensed (i.e., accountant, consultant, and legal fees)
  - Record expenses in post acquisition periods as incurred, separate from acquisition
  - Increased earnings volatility will have a negligible impact on regulatory applications
  - Well managed and well capitalized is main focus

FAS 141(R) and FAS 160

- Loan and lease valuations and allowance for loan and lease losses (ALLL)
  - Carry forward of the ALLL will not be allowed
  - Loans will be brought over at fair value – more due diligence required on a loan-by-loan basis

FAS 141(R) and FAS 160

- Regulatory capital implications
  - Gain and loss contingencies must be recorded
  - Capital ratios will likely be unchanged, because all components of noncontrolling interest are deducted from equity capital

OTTI

- Significant disruptions in the global financial markets have led to declines in the fair value of many investment securities in recent periods.
- Negative market trends that have persisted for an extended period of time have brought about an increased emphasis on the accounting for, and the disclosure of OTTI of debt securities classified as either available-for-sale (AFS) or held-to-maturity (HTM) and equity securities classified as AFS under FAS 115.
- For securities classified as AFS or HTM, FAS 115 requires that a company recognize in earnings all declines in fair value below cost basis that are considered other-than-temporary.

OTTI

- Determining whether losses are other than temporary often involves estimating the outcome of future events, including whether a company can demonstrate the **intent and ability** to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value as well as an assessment that the market value recovery will occur.

OTTI

- Recognition and measurement
  - Declines in fair value for AFS and HTM securities should be evaluated to determine whether they represent OTTI
  - If an OTTI is present, the cost basis of the impaired security should be adjusted down to fair value on measurement date, resulting in a charge to earnings (as a realized loss), and a new cost basis.

OTTI

- Subsequent recognition and measurement
  - The new cost basis is not changed for subsequent recoveries in fair value
  - After an impairment loss is recognized for individual securities classified as AFS, future increases or decreases in fair value (if no additional OTTI) are included in other comprehensive income

OTTI

- Debt securities
  - FAS 115, indicates, by way of example, that a debt security would be considered other-than-temporarily-impaired when a company determines that it is probable, as defined in FAS 5, that all amounts due (both principal and interest) will not be collected according to the security's contractual terms
  - A company's OTTI assessment should include an evaluation of all objective and subjective factors that relate to the credit risk of the debt security, including whether the severity and duration of the impairment provides relevant information regarding collectability.

OTTI

- Equity securities
  - A key consideration in the OTTI evaluation for equity securities is whether the fair value of the security is expected to recover sufficiently to allow a full recovery of the investor's cost basis over the near term
  - Additionally, since the typical equity security does not have contractual cash flows or a stated maturity on which to rely, an investor's intent and ability to hold an equity security for a reasonable period of time should be analyzed differently than a typical debt security

OTTI

- Other accounting guidance
  - FSP EITF 99-20-1
    - Amends impairment guidance EITF Issue No. 99-20 to achieve more consistent determination of whether OTTI has occurred for debt securities classified as AFS or HTM.
    - For debt securities that are beneficial interests in securitized financial assets within the scope of EITF Issue no. 99-20, an impairment is considered other than temporary if, based on the reporting entity's best estimate of cash flows that a market participant would use in determining current fair value of the beneficial interest, there has been an adverse change in those estimated cash flows.

OTTI

- FSP EITF 99-20-1 (continued)
  - Debt securities that are not within the scope of Issue 99-20 apply FAS 115. FAS 115 provides an example indicating that an impairment is other-than-temporary, because it is probable that the holder will be unable to collect all amounts due according to the contractual terms.
  - The FSP applies to beneficial interests within the scope of EITF Issue No. 99-20.
  - The FSP amends the impairment guidance in EITF ISSUE 99-20 to align with the impairment guidance in paragraph 16 of FAS 115.

OTTI

- SEC Staff Accounting Bulletin (SAB) No. 59, “Accounting for Noncurrent Marketable Equity Securities”
  - SEC staff’s interpretive guidance for determining when a decline in fair value below cost for a marketable security is OTTI
  - SAB 59 clarifies that the term "other than temporary” should not be interpreted to mean “permanent,” meaning that the eventual recovery in fair value of an investment should not preclude the recognition of an other-than-temporary loss

OTTI

- SEC Staff Accounting Bulletin (SAB) No. 59, "Accounting for Noncurrent Marketable Equity Securities"(continued)
  - SEC staff noted that all available evidence should be considered to determine if a decline in fair value below cost is other than temporary, including:
    - The length of time and the extent to which the security's market value has been less than cost
    - The financial condition and near term prospects of the issuer
    - The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value

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Income Statement, Equity Capital, Securities, Trading Assets and Liabilities

Christine Burke

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Noncontrolling Interests in Consolidated Financial Statements (FAS 160)

Why?

- To conform to the disclosure requirements of FAS 160, issued in December 2007

What?

- New items added to the Equity Capital section of the Balance Sheet, and the Income Statement

When?

- Effective for the March 31, 2009 FR Y-9C and Call Report

Noncontrolling Interests in Consolidated Financial Statements (FAS 160)

- New disclosure requirements
  - Noncontrolling interests must be separately identified in the consolidated balance sheet within equity capital
  - Consolidated net income must be segregated to clearly identify the portion attributable to (a) the parent BHC, and (b) the noncontrolling interests

Noncontrolling Interests in Consolidated Financial Statements (FAS 160)

Impact on reporting

- Schedule HC, Balance Sheet
  - Two new items added to the Equity Capital section of the balance sheet to separately disclose equity in noncontrolling interests as follows:
    - Total bank holding company equity capital
    - Noncontrolling (minority) interests in consolidated subsidiaries

Noncontrolling Interests in Consolidated Financial Statements (FAS 160)

Impact on reporting

- Schedule HC-R, Regulatory Capital
  - Two data items renamed to reflect changes to the balance sheet, as follows:
    - Line 1, Total bank holding company equity capital (from Schedule HC, Line 27.a)
    - Line 6, Qualifying Class A noncontrolling (minority) interest in consolidated subsidiaries

Noncontrolling Interests in Consolidated Financial Statements (FAS 160)

Impact on reporting

- Schedule HI, Income Statement
  - Replaced Line 10, Minority interest, and renamed several data items
  - Renamed Lines 12 and 13 to identify and segregate net income attributable to noncontrolling interests, as follows:
    - Line 12, Net income (loss) attributable to bank holding company and noncontrolling (minority) interests
    - Line 13, Less: Net income (loss) attributable to noncontrolling (minority) interests
  - Schedule HI-A renamed "Changes in Bank Holding Company Equity Capital" and renamed several items to reflect changes to the income statement

Short Sales and Trading Commodities Contracts

Why?

- Due to significant growth in short selling and trading commodity contracts, and the volatility of the assets underlying these contracts
- To appropriately assess the safety and soundness of BHCs that participate in short selling activity and to better monitor the specific risk exposures associated with the type of assets that are sold short
- To monitor the growth of and risk associated with assets underlying commodity contracts, and to track the level of trading of physical commodities held in inventory

What?

Data items are being revised on Schedule D

When?

Effective for the March 31, 2009 FR Y-9C

Short Sales and Trading Commodities Contracts

Impact on FR Y-9C

- Schedule HC-D, Trading Assets and Liabilities
  - "Liability for short positions" will be split into three categories
    - Equity securities
    - Debt securities
    - All other assets

Short Sales and Trading Commodities Contracts

Impact on FR Y-9C

- Schedule HC-D, Trading Assets and Liabilities
  - Other Trading Assets in Memoranda section revised to include two new categories:
    - Gross fair value of commodity contracts
    - Gross fair value of physical commodities held in inventory
  - Completed by BHCs that reported average trading assets of $1 billion or more in any of the four preceding quarters

Structured Financial Products Carried in Securities and Trading Portfolios

Why?

- Structured financial products have become increasingly complex and there has been significant growth in the volume of these products
- Reduced market liquidity has contributed to fair value declines and a lack of price transparency
- Recent market events have demonstrated a need to identify and monitor BHCs with exposures to these products and to track such exposures for the industry
- To separately disclose these products that are currently included in other data items in Schedules HC-B and HC-D

What?

New items added to Schedule B and D

When?

Effective for the June 30, 2009 FR Y-9C and Call Report

Structured Financial Products Carried in Securities and Trading Portfolios

Impact on reporting

- Schedule HC-B, Securities and Schedule HC-D, Trading Assets and Liabilities
  - New items added for reporting structured financial products by type of structure, including cash, synthetic, and hybrid
  - New memoranda items added for reporting structured financial products by type of collateral:
    - Trust preferred securities issued by financial institutions,
    - Trust preferred securities issued by real estate investment trusts,
    - Corporate and similar loans
    - 1-4 family residential MBS issued or guaranteed by U.S. government-sponsored enterprises (GSEs)
    - 1-4 family residential MBS not issued or guaranteed by U.S. GSEs
    - Diversified pools of structured financial products such as CDOs squared and cubed (pools of pools)
    - Other collateral

Holdings of Commercial Mortgage-Backed Securities (MBS)

Why?

- Differences in residential mortgages and commercial mortgages carry through to MBS backed by these types of mortgages
- The ability to produce income and the value of the property are key factors in assessing the credit risk of commercial MBS

What?

New items added to Schedule B and D

When?

Effective for the June 30, 2009 FR Y-9C

Holdings of Commercial Mortgage-Backed Securities (MBS)

Impact on reporting

- Schedule HC-B, Securities and Schedule HC-D, Trading Assets and Liabilities
  - Two new items added
    - "Commercial pass-through securities"
    - "Other commercial mortgage-backed securities"
  - One item modified
    - "Pass-through securities" and "Other mortgage-backed securities" revised to cover only residential MBS

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Changes to Loan and Leases on the FR Y-9C and Call Report

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Loans and Leases Acquired in Business Combinations

WHY?

- Under FAS 141R, a BHC acquiring loans to be held for investment in a business combination accounted for using the acquisition method must record these loans at fair value
- FAS 141R does not permit an acquiring BHC to carry over the acquired entity's ALLL
- The FV of these loans incorporate assumptions regarding credit risk

WHAT?

- Three new data items added for transactions for which the acquisition date is on or after Jan 1, 2009 for BHCs with calendar year fiscal years

WHEN?

- Effective for the March 31, 2009 FR Y-9C and Call Report

Loans and Leases Acquired in Business Combinations

Impact on reporting

- Three new data items will be added for each of the following categories of acquired held-for-investment loans and leases:
  - Loans secured by real estate
  - Commercial and Industrial loans
  - Loans to individuals for household, family and other personal expenditures
  - All other loans and leases

Loans and Leases Acquired in Business Combinations

Impact on reporting

- Three new disclosures for each new category of acquired held-for-investment loans and leases will be required:
  - The FV of loans and leases
  - The gross contractual amounts receivable
  - The best estimate at the acquisition date of the contractual cash flows not expected to be collected.

Clarification of the Definition of Loan Secured by Real Estate

WHY?

- There has been inconsistent reporting of loans collateralized by real estate because of different interpretations of instructions

WHAT?

- "Loans secured by real estate" has been clarified in the Glossary section:
- The estimated value of the real estate collateral must be greater than 50% of the principal amount of the loan at origination in order for the loan to be considered secured by real estate.

WHEN?

- Effective for the March 31, 2009 FR Y-9C and Call Report

Construction and Development Loans with Interest Reserves

WHY?

- Since the CRE Guidance on commercial real estate loans was issued in 2006, market conditions have weakened, most notably in the Construction and Development (C&D) sector.
- The concern is the possibility that interest reserves could disguise problems with a borrower's willingness and ability to repay the debt

Construction and Development Loans with Interest Reserves

WHAT?

- To assist the Federal Reserve in monitoring C&D lending activities at those Banks with a concentration exceeding 100% of total risk-based capital, two new data items have been added.

WHEN?

- Effective for the June 30, 2009 Call Report.

Construction and Development Loans with Interest Reserves

Impact on reporting

- Two new data items have been added:
  - The amount of C&D loans included in Schedule RC-C for which the use of interest reserves is provided for in the loan agreement
  - The amount of capitalized interest included in the interest and fee income on loans during the quarter

Pledged Loans in Loan and Trading Portfolios and Pledged Trading Securities

WHY?

- Pledged loans are used to collateralize BHC transactions. The BHC continues to own the loans unless it defaults on the transaction
- Pledging affects a BHC's liquidity and other asset and liability management programs. The volume of these pledges have grown significantly in recent years.
- Currently, the FR Y-9C and Call Report does not provide information on the volume of pledged loans

WHAT?

- Given the importance of understanding pledged loan volume in determining liquidity and financing adequacy, bank holding companies will be required to disclose three new items

WHEN?

- Effective for the June 30, 2009 FR Y-9C and Call Report

Pledged Loans in Loan and Trading Portfolios and Pledged Trading Securities

Impact on reporting

- Three new items will be added:
  - The total amount of pledged held-for-sale and held-for-investment loans and leases in Schedule HC-C
  - The total amount of pledged loans that are carried in the trading portfolio in Schedule HC-D
  - The total amount of pledged securities that are carried in the trading portfolio in Schedule HC-D

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FR Y-9C and Call Report Changes

- Derivatives & Off-Balance Sheet
- Financial Assets & Liabilities Measured at Fair Value
- Regulatory Capital

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Over-the-Counter Derivatives

Why?

- There has been significant growth in OTC derivatives and counterparty credit exposures
- No information exists on OTC counterparty credit exposures and associated risk mitigation

What?

- Add new data items for OTC derivatives
- BHCs with total assets of $10 billion or more

When?

- Effective for the June 30, 2009 FR Y9-C and Call reports

Over-the-Counter Derivatives (Schedule L)

	(Column A) Banks and Securities Firms				(Column B) Monoline Financial Guarantors				Column C) Hedge Funds				Column D) Sovereign Governments				(Column E) Corporations and All Other Counterparties			
	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou	BHCK	Bil	Mil	Thou
15. Over-the counter derivatives:																				
a. Net current credit exposure	XXX				XXX				XXX				XXX				XXX			
b. Fair value of collateral:																				
(1) Cash – U.S. dollar	XXX				XXX				XXX				XXX				XXX			
(2) Cash – Other currencies	XXX				XXX				XXX				XXX				XXX			
(3) U.S. Treasury securities	XXX				XXX				XXX				XXX				XXX			
(4) U.S. Government agency and U.S. Government-sponsored agency debt securities	XXX				XXX				XXX				XXX				XXX			
(5) Corporate bonds	XXX				XXX				XXX				XXX				XXX			
(6) Equity securities	XXX				XXX				XXX				XXX				XXX			
(7) All other collateral	XXX				XXX				XXX				XXX				XXX			
(8) total fair value of collateral (sum of items 15.b.(1) through (7))	XXX				XXX				XXX				XXX				XXX			

Credit Derivatives

Why?

- Notional amount of credit derivatives are large and highly concentrated
- Function as a risk mitigation tool for credit exposures
- Differences in interpretations under risk-based capital standards

What?

- Add new data item for credit derivatives
  - By regulatory capital and remaining maturity (Schedule L)
  - Fair value of credit derivatives carried as assets past due (Schedule N)

When?

- Effective for the June 30, 2009 FR Y9-C and Call reports

Credit Derivatives (Schedule L)

	Bil	Mil	Thou
c. Notional amounts by regulatory capital treatment:			
(1) Positions covered under the Market Risk Rule:			
(a) Sold protection	xxxx		
(b) Purchased protection	xxxx		
(2) All other positions:			
(a) Sold protection	xxxx		
(b) Purchased protection that is recognized as a guarantee for regulatory capital purposes	xxxx		
(c) Purchased protection that is not recognized as a guarantee for regulatory capital purposes	xxxx		

	Remaining Maturity of:											
	(Column A) One Year or Less				(Column B) Over One Year Through Five Years				(Column C) Over Five Years			
d. Notional amounts by remaining maturity:												
(1) Sold credit protection:		Bil	Mil	Thou		Bil	Mil	Thou		Bil	Mil	Thou
(a) Investment grade	xxxx				xxxx				xxxx			
(b) Subinvestment grade	xxxx				xxxx				xxxx			
(2) Purchased credit protection:												
(a) Investment grade	xxxx				xxxx				xxxx			
(b) Subinvestment grade	xxxx				xxxx				xxxx			

Credit Derivatives (Schedule N)

- Currently, memoranda section only collects data on interest rate, foreign exchange rate, and other commodity and equity contracts carried as assets past due
- Data item description changed to include credit derivatives
  - Past due 30 through 89 days
  - Past due 90 days or more

Financial Assets and Liabilities Measured at Fair Value

Why?

- To be consistent with FAS 157 disclosure requirements and industry disclosure practices

What?

- Expand collection of financial assets and liabilities measured at fair value

When?

- Effective for the June 30, 2009 FR Y9-C and Call reports

Financial Assets and Liabilities Measured at Fair Value

- Added to Schedule Q
  - Available-for-sale securities
  - Federal funds sold and securities purchased under agreements to resell
  - Federal funds purchased and securities sold under agreements to repurchase
  - Other borrowed money, and subordinated notes and debentures
- Expand existing data items
  - Loans and leases held for sale and held for investment
  - Trading derivative assets and liabilities
  - Other trading assets and liabilities

Regulatory Capital

Why?

- Quantitative limits added to the risk-based capital standards in 2005 become effective in March 2009
- To determine compliance with the limits placed on restricted core capital elements

What?

- Revise and add new data items for calculation of Tier 1 and Tier 2 capital

When?

- Effective for the March 31, 2009 FR Y9-C

Amendments to Risk-based Capital Standards

- Revised quantitative limits on qualifying restricted core capital elements included in Tier 1
  - Cumulative perpetual preferred stock
  - Trust preferred securities
  - Class B and C minority interest
- Aggregate amount of restricted core capital elements includible in Tier 1 must not exceed 25% of the sum of all core capital elements, less goodwill net of any associated deferred tax liability
  - 15% for internationally active BHCs
  - Amounts in excess includible in Tier 2

Regulatory Capital (Schedule R)

6. a. Qualifying Class A noncontrolling (minority) interests in consolidated subsidiaries	XXXX			
b. Qualifying restricted core capital elements (other than cumulative perpetual preferred stock)[2]	XXXX			
c. Qualifying mandatory convertible preferred securities of internationally active bank holding companies	XXXX			

12. Qualifying subordinated debt, redeemable preferred stock, and restricted core capital elements[2] not includible in items 6.b. or 6.c.	XXXX			
13. Cumulative perpetual preferred stock not included in item 5 and Class B noncontrolling (minority) interest not included in 6.b., but includible in Tier 2 capital	XXXX			

Regulatory Capital (Schedule R)

8. Restricted core capital elements included in Tier 1 capital:

	BHCK	Bil	Mil	Thou
a. Qualifying Class B noncontrolling (minority) interest (included in Schedule HC, item 27.b)	xxxx			
b. Qualifying Class C noncontrolling (minority) interest (included in Schedule HC, item 27.b)	xxxx			
c. Qualifying cumulative perpetual preferred stock (included in Schedule HC, item 27.a)	5990			
d. Qualifying trust preferred securities[1] (included in Schedule HC, item 19.b)	C502			

9. Goodwill net of any associated deferred tax liability	xxxx			

	BHCK	Percentage
10. Ratio of qualifying restricted core capital elements to total core capital elements less (goodwill net of any associated deferred tax liability)	xxxx	— — . — —

[1] Includes subordinated notes payable to unconsolidated trusts issuing trust preferred securities net of the bank holding company's investment in the trust, and trust preferred securities issued by consolidated special purpose entities, that qualify as Tier 1 capital.

Unused Eligible Liquidity Facilities for Asset-Backed Commercial Paper Conduits

Why?

- Reporting of unused eligible facilities with different maturities are currently reported in a single data item
- Does not allow for verification of the accuracy of credit converting and risk weighting

What?

- Add an additional data item for eligible liquidity facilities with an original maturity of one year or less
  - Credit conversion factor of 10%

When?

- Effective for the June 30, 2009 FR Y-9C and Call reports

FEDERAL RESERVE BANK *of* NEW YORK

Changes to Regulatory Reports

Keila Medina
Regulatory Reports
Statistics Department

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Overview

- New Items
- Exemptions
- Changes to Nonbank Reports

Capital Purchase Program (CPP)

Why?

- In response to the financial crisis, the U.S. Treasury Department is providing capital to qualifying bank holding companies (BHC) by purchasing senior perpetual preferred stock and warrants
- Monitor the scope of the purchase program and determine the impact on the BHC's tier 1 capital

What?

- Two new items will be added

When?

- Effective for the March 31, 2009 FR Y-9C report

Capital Purchase Program (CPP)

Impact on FR Y-9C Report

- Schedule HC-M - Two new items will be added under the caption *"Issuance associated with the US Department of Treasury Capital Purchase Program"*:
  - "Senior perpetual preferred stock or similar items"
  - "Warrants to purchase common stock or similar items"

Investment in Real Estate Ventures

Why?

- Clearly identify a BHC's investment in real estate from other asset categories, especially from other real estate owned (OREO)
- Real estate investments and OREO require different supervisory considerations

What?

- New asset item breakdown

When?

- Effective for the June 30, 2009 FR Y-9C and Call Report

Investment in Real Estate Ventures

Impact on Reporting

A new asset item will be added to include investment in real estate ventures currently reported as part of:

- OREO
- Investments in real estate
- Investments in unconsolidated subsidiaries & associated companies

Summary of Changes
Investments in Real Estate Ventures

Asset Item Added

- Schedule HC, Line 9, “Direct and indirect investments in real estate ventures”

Memoranda Items Deleted

- Schedule HC-M, Line 6, “Investment in real estate”
- Schedule HC-M, Line 13.a, “Real estate acquired in satisfaction of debts previously contracted”
- Schedule HC-M, Line 13.b, “Other real estate owned”

Memoranda Item Modified

- Schedule HC-M, Line 13, “Other real estate owned”

Exemptions on FR Y-9C Report

BHCs with less than $1 billion in total assets will be exempt from:

- Schedule HI, Memorandum Line 12.a, “Income from the sale and servicing of mutual funds and annuities”
- Schedule HC-L, Line 2.a, “Amount of financial standby letters of credit conveyed to others”
- Schedule HC-L, Line 3.a, “Amount of performance standby letters of credit conveyed to others”

When:

- Effective for the March 31, 2009 FR Y-9C report

Changes to Nonbank Subsidiaries Reports (FR Y-11 and FR 2314)

Why?

- Consistent with the March 2008 changes for Bank Holding Company reports, if the BHC applies fair value accounting and manages assets as trading positions, loans held for sale are reportable as trading assets
- Currently, loans reported as trading assets and the amount of loans held for trading that are past due or in nonaccrual status, are not separately disclosed on the FR Y-11 and FR 2314

What?

- Two new items will be added

When?

- Effective for the March 31, 2009 FR Y-11 and FR 2314 reports

Changes to Nonbank Subsidiaries Reports (FR Y-11 and FR 2314)

Schedule BS-M - Two items will be added:

- "Fair value of loans held for trading that are past due 90 days or more or in nonaccrual status"
- "Unpaid principal balance of loans held for trading that are past due or in nonaccrual status"

Changes to FR Y-11 Report

Why?

- Consistent with information currently reported on the FR 2314 on assets held in trading accounts, new items were added to the FR Y-11

When?

- Effective for the March 31, 2009 FR Y-11 report

Changes to FR Y-11 Report

Schedule BS-M – New items will be added for assets held in trading accounts:

- "Securities of U.S. government and its agencies"
- "Securities of all foreign government and official institutions"
- "Equity securities"
- "Corporate bonds, notes, debentures"
- "Revaluation gains on interest rate, foreign exchange, and other commodity and equity contracts"
- "Fair value loans held for trading"
- "Other (including commercial paper)

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Structure Reporting Update for Bank Holding Companies and Unaffiliated State Member Banks

Sharon Swain

Banking Structure

Statistics Department

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Agenda

- Structure reporting forms filed by Bank Holding Companies (BHCs) and State Member Banks (SMB) not affiliated with a BHC
- Changes to the Annual Report of Bank Holding Companies (FR Y-6), effective 12/31/08
- Changes to the Report of Changes in Organizational Structure (FR Y-10), effective 12/31/08
- Ongoing changes to reporting on the FR Y-10, effective 4/1/2009
- Scheduled FR Y-10 Training

Structure Reporting Forms…

- Annual Report of Bank Holding Companies (FR Y-6)
- Report of Changes in Organizational Structure (FR Y-10)

Changes to the FR Y-6 Effective 12/31/2008

- Annual Report of Bank Holding Companies (FR Y-6):
  - The changes to the report impact:
    - the Confidentiality section of the General Instructions to the reporting form, and
    - the Cover Page

Changes to the FR Y-6 Effective 12/31/2008

- Annual Report of Bank Holding Companies (FR Y-6):
  - Confidentiality section of the General Instructions:
    - The revised reporting instructions are intended to ensure that the Reporter:
      - Limits the information provided to what is requested for the report item, and
      - takes the appropriate measures to safeguard the confidentiality of information provided to the Federal Reserve

Changes to the FR Y-6 Effective 12/31/2008

- Annual Report of Bank Holding Companies (FR Y-6):
  - Cover Page:
    - The revised Cover Page includes a new section where the Reporter is required to certify it has:
      - the authority to provide the information regarding individuals contained in the report, and
      - the authority, on behalf of each individual, to consent or object to the public release of information regarding that individual.

Changes to the FR Y-6 Effective 12/31/2008

- Annual Report of Bank Holding Companies (FR Y-6):

  The Federal Reserve may assume, in the absence of a request for confidential treatment, submitted in accordance with the Board's "Rules Regarding Availability of Information" 12 CFR Part 261, that the Reporter and the individual consent to public release of all details in the report concerning that individual.

Changes to the FR Y-10 Effective 12/31/2008

- The FR Y-10 reporting requirements were changed to include the new item, Tax id
  - A Federal tax id is required for all FR Y-10 reportable entities located in the United States that have been assigned a tax id
  - There is a one-time information collection to populate the tax id data as of December 31, 2008 for companies previously reported on the FR Y-10 .

Changes to the FR Y-10 Effective 12/31/2008

- The Federal Reserve has provided a facility for Reporters to identify the companies in our records for which tax ids are required.

- Access the following website for more information on this process http//structurelists.federalreserve.gov

  Note that the information provided on the website will not include companies held where the relationship has been classified as confidential. However, these entities should be included in the tax id submission.

Changes to the FR Y-10 Effective 12/31/2008

- Responses to the initial tax id collection should be emailed to ny.frb.branchinformation@ny.frb.org

- Hardcopies of the tax id data can also be sent to the structure reporting contact at your reporting Federal Reserve Bank

Ongoing Changes to FR Y-10 Reporting Effective 4/1/2009

- The Banking and Nonbanking Schedules of the FR Y-10 will include the new item, Tax id
- Changes to tax id data that occur between January 1 and March 31, 2009 should be reported on the FR Y-10 by April 30, 2009.
- Changes to tax id data that occur after March 31, 2009 should be reported on the FR Y-10 within 30 calendar days of the change.

Scheduled FR Y-10 Training

- A rebroadcast of the 2008 FR Y-10 Training Seminar will be scheduled in June 2009.

FRB Contacts

Domestic Financial Reports Department

Kenneth Lamar	Senior Vice President	212-720-8590
Patricia Selvaggi	Staff Director	212-720-8037

FR Y-9 Reports

Monica Posen	Team Leader	212-720-8239
Vadim Tovshteyn	Team Leader	212-720-8465

Banking Structure Department

Violet Cumberbatch	Staff Director	212-720-5938

FR Y-6/FR Y-10 Reports

Sharon Swain	Team Leader	212-720-6202
Judy Ekwughalu	Team Leader	212-720-6760