

FEDERAL RESERVE BANK *of* NEW YORK

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STATISTICS OFFICER

April 7, 2011

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 March 31, 2011

The following report forms and instructions for the March 31, 2011 reporting date has 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 of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11);
- 4) Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314); and
- 5) Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies (FR Y-12).

The FR Y-9C reporting form has been revised to collect information on: (1) trouble debt restructuring for loans past due 30 days or more, in nonaccrual status or in compliance with their modified terms, (2) automobile and other consumer loans, (3) commercial mortgage-backed securities issued or guaranteed by U.S. Government agencies and sponsored agencies, (4) a new Schedule HC-V, Variable Interest Entities was created to report major categories of assets and liabilities of consolidated variable interest entities (VIEs), (5) loans and other real estate owned (OREO) covered by FDIC loss-sharing agreements, (6) life insurance assets, (7) total assets of captive insurance and reinsurance subsidiaries, (8) credit and debit valuation adjustments included in trading revenue, and (9) quarterly average schedule for securities and loans.

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

Subscription Service

We are offering a subscription service, which enables you to receive recent news and updates on our reporting forms and instructions and upcoming events. You can sign up for this new service at the following website:

http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

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 Tuesday, May 10, 2011. Any **FR Y-9C** reports received after 5:00 p.m. on May 10 will be considered late. The submission deadline for all **FR Y-9LP** filers is Monday, May 16, 2011. Any **FR Y-9LP** reports received after 5:00 p.m. on May 16 will be considered late. The submission deadline for the **FR Y-12** is Monday, May 16, 2011. Any FR Y-12 reports received after 5:00 p.m. on May 16 will be considered late unless postmarked by Thursday, May 12 or sent by overnight service on Saturday, May 14. The submission deadline for the **FR Y-11** and **FR 2314** is Tuesday, May 31, 2011. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on May 31 will be considered late unless postmarked by Thursday, May 26 or sent by overnight service on Saturday, May 28.

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:

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Federal Reserve Bank of New York

Statistics Function

Administrative Support Staff

33 Liberty Street, 4th Floor

New York, N.Y. 10045

Editing of Data by Respondents

All BHCs must submit their FR Y-9 reports via the Federal Reserve's internet submission facility (IESUB), using either data entry or file transfer. This data collection system will subject a BHC's electronic data submission to the published validity and quality edit checks and transmit the results of such checks to the BHC shortly thereafter. The BHC must resolve any validity edit before the data can be accepted. The BHC will also be provided a method for supplying explanations for quality edits. (Guidelines for providing quality explanations can be found at: <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>.

Trust Preferred Securities and Limits on Restricted Core Capital Elements

On March 10, 2005, the Federal Reserve announced the amendment of its risk-based capital standards for BHCs to allow the continued inclusion of outstanding and prospective issuances of trust preferred securities in the tier 1 capital of BHCs, subject to stricter quantitative limits and qualitative standards. The Federal Reserve also revised the quantitative limits applied to the aggregate amount of qualifying cumulative perpetual preferred stock, qualifying trust

preferred securities, and Class B and Class C minority interest¹ (collectively, restricted core capital elements) included in the tier 1 capital of BHCs. These new quantitative limits were scheduled to become effective on March 31, 2009. However, on March 23, 2009, the Federal Reserve adopted a rule extending the compliance date for the tighter limits to March 31, 2011 in light of stressful financial conditions and the severely constrained ability of BHCs to raise additional capital in the markets. Accordingly, the instructions for items affected by the implementation of the tighter limits this quarter have been updated.

Accounting for Loan Participations

Amendments to ASC Topic 860, Transfers and Servicing, resulting from Accounting Standards Update No. 2009-16 (formerly FASB Statement No. 166, “Accounting for Transfers of Financial Assets”) modified the criteria that must be met in order for a transfer of a portion of a financial asset, such as a loan participation, to qualify for sale accounting. These changes apply to transfers of loan participations on or after the effective date of amended ASC Topic 860 (January 1, 2010, for BHCs with a calendar year fiscal year), including advances under lines of credit that are transferred on or after the effective date even if the line of credit agreements were entered into before the effective date. BHCs with a calendar year fiscal year must account for transfers of loan participations on or after January 1, 2010, in accordance with amended ASC Topic 860. In general, loan participations transferred before the effective date of amended ASC Topic 860 are not affected by this new accounting standard.

A revised Glossary entry for “Transfers of Financial Assets” that incorporates the provisions of amended ASC Topic 860 and addresses related reporting issues, including a discussion of the reporting treatment of loan participations in accordance with amended ASC Topic 860, was included in the FR Y-9C instruction book update for September 2010. In particular, the revised Glossary entry discusses the reporting of transfers of loans guaranteed by the Small Business Administration (SBA). It describes the SBA’s longstanding requirement obligating the transferor of the guaranteed portion of an SBA loan at a premium to refund the premium to the transferee if the loan is repaid within 90 days of the transfer. The Glossary entry notes that this premium refund obligation is a form of recourse, which causes the transferred guaranteed portion of the loan to not meet the definition of a “participating interest” for this

¹ Class B minority interest in consolidated subsidiaries is defined as qualifying cumulative perpetual preferred stock directly issued by a consolidated U.S. depository institution or foreign bank subsidiary. Class C minority interest in consolidated subsidiaries is defined as qualifying common stockholders’ equity or perpetual preferred stock issued by a consolidated subsidiary that is neither a U.S. depository institution nor a foreign bank.

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90-day period. As a result, the transfer must be accounted for as a secured borrowing during this period. Thereafter, assuming the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan now meet the definition of a "participating interest," the transfer of the guaranteed portion can be accounted for as a sale if all of the conditions for sale accounting in amended ASC Topic 860 are met.

BHCs should note that the SBA recently eliminated its premium refund requirement for transfers of guaranteed portions of SBA loans at a premium effective for loan transfers settled on or after February 15, 2011. The elimination of this obligation removes the key factor preventing the guaranteed and unguaranteed portions of an SBA loan from meeting the definition of a "participating interest" in a transfer of the guaranteed portion at a premium. With the elimination of this obligation from transfers at a premium on or after February 15, 2011, the transferred guaranteed portion and the retained unguaranteed portion of the SBA loan should now normally meet the definition of a "participating interest" on the transfer date. Assuming that is the case, the transfer of the guaranteed portion of an SBA loan should now be able to be accounted for as a sale on the transfer date, with immediate recognition of any gain or loss on the sale in earnings, if all of the conditions for sale accounting set forth in ASC Topic 860 are met.

Transfers of guaranteed portions of SBA loans at a premium before February 15, 2011, remain subject to the premium refund obligation and must continue to be accounted for in the manner described above.

Troubled Debt Restructurings and Current Market Interest Rates

Many institutions are restructuring or modifying the terms of loans to provide payment relief for those borrowers who have suffered deterioration in their financial condition. Such loan restructurings 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).

BHCs should note that, effective this quarter, the existing FR Y-9C items in which loans that are TDRs are to be reported – Memorandum item 1 in Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets, or Memorandum item 1 in Schedule HC-C, Loans and Lease Financing Receivables, depending on whether a loan is or is not in compliance with its

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modified terms – have been revised to include breakdowns of these TDRs by loan category. In addition, consumer loans that have undergone TDRs, which were previously exempt from being reported in the Memorandum items for TDRs, must now be reported in these items.

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.

Because 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 at the time of the restructuring, some institutions have concluded that these restructurings are not TDRs. In making this determination, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. When evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the BHC 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) and, if so, 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

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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 result 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:

- 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 not be in nonaccrual 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."

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

Reporting Loans Subject to a Blanket Lien Agreement

BHCs report the amount of pledged loans and leases (not held for trading) in Schedule HC-C, Memorandum item 14. When a BHC is subject to a blanket lien arrangement, or has otherwise pledged an entire portfolio of loans, to secure its Federal Home Loan Bank advances, it should report the amount of the entire portfolio of loans subject to the blanket lien in Memorandum item 14. Any loans within the portfolio that have been explicitly excluded, or specifically released, from the lien, and that the BHC has the right, without constraint, to repledge to another party should not be reported as pledged in Memorandum item 14 unless such loans have been repledged.

Reporting Data for Term Deposits

The Term Deposit Facility (TDF) is a program through which the Federal Reserve Banks offer interest-bearing term deposits to eligible institutions. A term deposit is a deposit with a specific maturity date. For FR Y-9C reporting purposes, term deposits offered through the TDF should be treated as balances due from a Federal Reserve Bank. Accordingly, term deposits should be reported in Schedule HC, item 1.b, "Interest-bearing balances." The earnings on these term deposits should be reported in Schedule HI, item 1.c, "Interest income on balances due from depository institutions."

Reporting Purchased Subordinated Securities in Schedule HC-S

In Schedule HC-S, item 9, "Servicing, Securitization, and Asset Sale Activities", the Federal Reserve collects data on the maximum amount of BHCs' credit exposures arising from credit enhancements they provide to other institutions' securitization structures, including those used in structured finance programs (other than asset-backed commercial paper programs, which are covered in Memorandum item 3 of the schedule). The types of credit enhancements to be reported in item 9 include purchased subordinated securities. Examples of purchased subordinated securities include, but are not limited to, the mezzanine and subordinate tranches of private-label mortgage-backed securities and collateralized debt obligations. A so-called senior tranche of a securitization or structured finance program is not a subordinated security provided it cannot absorb credit losses prior to another designated senior tranche. BHCs' should ensure they report in Schedule HC-S, item 9, the carrying value of their holdings of purchased subordinated securities issued in connection with other institutions' securitization and structured

finance transactions (other than asset-backed commercial paper programs). Holdings of purchased subordinated securities that serve as credit enhancements for asset-backed commercial paper programs should be reported in Memorandum item 3.a of Schedule HC-S.

Prepaid Deposit Insurance Assessments

On November 12, 2009, the FDIC Board of Directors 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 payable 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 *FDICconnect*, the FDIC's e-business portal, as of December 15, 2009.

The BHC 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). In general, as a result of the interaction between the prepaid assessments and the regularly quarterly assessments, the amount of the prepaid assessments asset that a BHC should report as a prepaid expense in its March 31, 2011 FR Y-9C report 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 October 1 through December 31, 2010, Insurance Period, which was available on *FDICconnect* as of March 15, 2011;
- Less the estimated amount of the bank subsidiary's regular quarterly assessment for the first quarter of 2011 (which should have been accrued as a charge to expense during the first quarter of 2011).

This prepaid expense asset should be reported in Schedule HC-F, item 6, "All other assets". The year-to-date deposit insurance assessment expense for 2011 should be reported in Schedule HI, item 7.d, "Other noninterest expense".

The Federal Reserve's risk-based capital standards permit an institution to apply a zero-percent risk weight to claims on U.S. Government agencies. When completing Schedule HC-R,

Regulatory Capital, a BHC may assign a zero-percent risk weight to the amount of its consolidated prepaid deposit insurance assessments asset in Schedule HC-R, item 42, “All other assets” 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.

Consolidated Variable Interest Entities

The assets and liabilities of a BHC’s consolidated variable interest entities (VIEs), if any, should be reported on the FR Y-9C balance sheet (Schedule HC) in the balance sheet category appropriate to the asset or liability. Similarly, the interest and noninterest income and expenses of consolidated VIEs, including provisions for loan and lease losses, should be reported on the FR Y-9C income statement (Schedule HI) in the category appropriate to the income or expense. Furthermore, beginning this quarter, BHCs must begin to report data on the assets and liabilities of their consolidated VIEs in new FR Y-9C Schedule HC-V, Variable Interest Entities. In Schedule HC-V, a BHC must report separately by balance sheet category (a) the assets of its consolidated VIEs that can be used only to settle obligations of the consolidated VIE and (b) the liabilities of its consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary. A BHC must also report the total amounts of all other assets and all other liabilities of its consolidated VIEs that do not meet these conditions. For further information, please refer to the instructions for Schedule HC-V that are included in the FR Y-9C instruction book update for March 2011.

Accounting Standards Codification

In June 2009, the FASB issued Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (FAS 168), to establish the FASB Codification as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (U.S. GAAP). The FASB Codification reorganizes existing U.S. accounting and reporting standards issued by the FASB and other related private-sector standard setters, and all guidance contained in the FASB Codification carries an equal level of authority. All previously existing accounting standards documents are superseded as

described in FAS 168. All other accounting literature not included in the FASB Codification is nonauthoritative. The FASB Codification can be accessed at <http://asc.fasb.org/>.

The FASB Codification is effective for interim and annual periods ending after September 15, 2009. The Federal Reserve is in the process of incorporating the FASB Codification references into the FR Y-9C instruction book. In the instruction book update for December 2010, the Glossary section of the instruction book was revised by adding Codification references throughout while retaining references to the pre-Codification standards. Until this incorporation process has been completed for the entire instruction book, references in the FR Y-9C instructions (including these Supplemental Instructions) to specific pre-Codification standards under U.S. GAAP (e.g., FASB Statements of Financial Accounting Standards, FASB Interpretations, Emerging Issues Task Force Issues, and Accounting Principles Board Opinions) should be understood to mean the corresponding reference in the FASB's Accounting Standards Codification.

Other-Than-Temporary Impairment

When the fair value of an investment is less than its cost basis, the impairment is either temporary or other-than-temporary. To determine whether the impairment is other-than-temporary, a BHC must apply other pertinent guidance such as paragraph 16 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*; FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*; FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*; paragraph 6 of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*; Emerging Issues Task Force (EITF) Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*; and FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*. Guidance on recently issued accounting standards on other-than-temporary impairment was incorporated in a revised Glossary entry for "Securities Activities" that was included in the FR Y-9C instruction book update for September 2010.

For regulatory capital purposes, any other-than-temporary impairment losses on both held-to-maturity and available-for-sale debt securities related to factors other than credit loss that are reported, net of applicable taxes, in Schedule HC, item 26.b, "Accumulated other comprehensive income," should be included in Schedule HC-R, item 2, together with the net

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unrealized gains (losses) on available-for-sale securities that are reported in item 2. Furthermore, when determining the regulatory capital limit for deferred tax assets, a BHC may, but is not required to, adjust the reported amount of its deferred tax assets for any deferred tax assets arising from other-than-temporary impairment losses reported, net of applicable taxes, in Schedule HC, item 26.b in accumulated other comprehensive income. A BHC must follow a consistent approach over time with respect to this adjustment to the reported amount of deferred tax assets.

In addition, when risk-weighting a held-to-maturity debt security for which an other-than-temporary impairment loss related to factors other than credit loss was previously recognized in other comprehensive income, include the carrying value of the debt security, as described above, in column A of Schedule HC-R, item 35. Then include the pre-tax amount of this impairment loss that has not yet been accreted from accumulated other comprehensive income to the carrying value of the security as a negative number in column B of Schedule HC-R, item 35, and include the amortized cost of the security, as defined in FSP FAS 115-2, in the appropriate risk-weight category column of item 35 (provided the security is not a purchased subordinated security that is not eligible for the ratings-based approach). Under FAS 115-2, amortized cost is the security's previous amortized cost as of the date of the most recently recognized other-than-temporary impairment loss less the amount of impairment loss recognized in earnings adjusted for subsequent accretion of interest income and payments received on the security.

Treasury Department's Community Development Capital Initiative Program

On February 3, 2010, the U.S. Treasury Department announced the creation of the Community Development Capital Initiative (CDCI) program under the Troubled Asset Relief Program (TARP) mandated by the Emergency Economic Stabilization Act of 2008 (http://www.financialstability.gov/latest/pr_09302010b.html). The CDCI program was designed to improve access to credit for small businesses. This new TARP program enabled the Treasury Department to invest lower-cost capital in Community Development Financial Institutions (CDFIs) that lend to small businesses in the country's hardest-hit communities.

For BHCs (other than those that are Subchapter S) approved for participation in the CDCI program, the Treasury Department purchased perpetual preferred stock. BHCs that chose to participate in the program were not required to issue warrants so long as they received \$100 million or less in total funding. The perpetual preferred stock issued to the Treasury Department should be reported on the FR Y-9C report Notes to the Balance Sheet—Other, item 4 and included in balance sheet (Schedule HC) item 23, "Perpetual preferred stock and related

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surplus.” (For the FR Y-9LP, Schedule PC, item 20.a) The perpetual preferred stock issued by BHCs to the Treasury Department is cumulative but for regulatory capital purposes is treated and reported the same as noncumulative perpetual preferred stock as an unrestricted core capital element included in Tier 1 capital. It should be included in the amount reported for “Total equity capital” in item 1 of Schedule HC-R, Regulatory Capital, and included in Schedule HC-R, memoranda item 3.a, “Noncumulative perpetual preferred stock.”

Proceeds from a BHC’s issuance to the Treasury Department of noncumulative perpetual preferred stock during the calendar year-to-date reporting period should be included in Schedule HI-A, item 5.a, “Sale of perpetual preferred stock, gross.” (For the FR Y-9LP, Schedule PI-A, part III, item 9, “Proceeds from issuance of preferred stock.”) Note that the accretion of any applicable discount (par or liquidation value of preferred stock less the carrying value) is treated as quarterly dividend payments until the 5 year discounted dividend period is over. The quarterly accretion of the discount is reported in Schedule HI-A, item 10, “LESS: Cash dividends declared on preferred stock.”

For BHCs that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CDCI program should be reported in Schedule HC, item 19.a, “Subordinated notes and debentures,” in the Notes to the Balance Sheet—Other, item 4, and in Schedule HC-R, item 6.b, “Qualifying restricted core capital elements (other than cumulative perpetual preferred stock).” (For the FR Y-9LP, Schedule PC, item 16, “Subordinated notes and debentures”). The full amount of such CDCI subordinated debt securities, as well as the full amount of the substantially similar junior subordinated notes issued to the Treasury Department under the Capital Purchase Program of the Troubled Asset Relief Program under the Emergency Economic Stabilization Act of 2008, are included on this line and are includable in tier 1 capital. However, other restricted core capital elements (e.g., trust preferred securities) that are includable in tier 1 capital subject to the quantitative limit for restricted core capital elements are only included on this line to the extent there is capacity for such inclusion in tier 1 capital within the limit applicable to restricted core capital elements included in the BHC’s tier 1 capital.

Treasury Department’s Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (<http://www.treas.gov/press/releases/hp1207.htm>). The CPP is

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designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers and support the U.S. economy.

For BHCs (other than those that are Subchapter S) that are approved for participation in the CPP, the Treasury Department will purchase senior perpetual preferred stock and warrants to purchase common stock or senior perpetual preferred stock, depending on whether the BHC's common stock is "publicly traded". For such BHCs that are not publicly traded, the Treasury Department intends to immediately exercise the warrants for senior perpetual preferred stock ("warrant preferred stock"). The senior perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported on the FR Y-9C balance sheet 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", and included in balance sheet (Schedule HC) item 23, "Perpetual preferred stock and related surplus". (For the FR Y-9LP, Schedule PC, item 20.a) Senior perpetual preferred stock issued by BHCs to the Treasury Department is cumulative. For regulatory capital purposes, these instruments are treated the same as noncumulative perpetual preferred stock as an unrestricted core capital element included in Tier 1 capital. It will be included in the amount reported for "Total equity capital" in item 1 of Schedule HC-R, Regulatory Capital and included in Schedule HC-R, memoranda item 3.a, "Noncumulative perpetual preferred stock".

Warrants issued by a publicly traded BHC should be included in equity capital on the balance sheet provided the BHC has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and any other necessary shareholder approvals have been obtained. If the BHC does not have required shareholder approval, including shareholder approval for sufficient authorized but unissued shares of the common stock subject to the warrants that may be required for settlement, the warrants may be included in equity capital on the balance sheet provided that the BHC takes the necessary action to secure sufficient approvals prior to the end of the fiscal quarter in which the warrants are issued. The amount assigned to warrants classified as equity capital should be reported in Schedule HC-M, item 24.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items", and included in Schedule HC, item 25, "Surplus". (For the FR Y-9LP, Schedule PC, item 20.c) Warrants that are not eligible to be classified as equity capital should also be reported in Schedule HC-M, item 24.b and included in balance sheet item 20, "Other liabilities". (For the FR Y-9LP, Schedule PC, item 17).

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Proceeds from a BHC's issuance to the Treasury Department of noncumulative perpetual preferred stock during the calendar year-to-date reporting period should be included in Schedule HI-A, item 5.a, "Sale of perpetual preferred stock, gross." (For the FR Y-9LP, Schedule PI-A, part III, item 9, "Proceeds from issuance of preferred stock"). Proceeds from warrants eligible to be classified as equity capital during the calendar year-to-date reporting period should be included in Schedule HI-A, item 6.a, "Sale of common stock, gross". (For the FR Y-9LP, Schedule PI-A, part III, item 7, "Proceeds from issuance of common stock"). The accretion of any applicable discount (par or liquidation value of preferred stock less the carrying value) is treated as quarterly dividend payments until the 5 year discounted dividend period is over. The quarterly accretion of the discount is reported in Schedule HI-A, item 10, "LESS: Cash dividends declared on preferred stock."

For BHCs that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in Schedule HC, item 19.a, "Subordinated notes and debentures," 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," and in Schedule HC-R, item 6.b, "Qualifying restricted core capital elements (other than cumulative perpetual preferred stock)." For the FR Y-9LP, Schedule PC, item 16, "Subordinated notes and debentures." The full amount of such subordinated debt securities, as well as the full amount of the substantially similar junior subordinated notes issued to the Treasury Department under the Community Development Capital Initiative program of the Troubled Asset Relief Program under the Emergency Economic Stabilization Act of 2008, are included on this line and are includable in tier 1 capital. However, other restricted core capital elements (e.g., trust preferred securities) that are includable in tier 1 capital subject to the quantitative limit for restricted core capital elements are only included on this line to the extent there is capacity for such inclusion in tier 1 capital within the limit applicable to restricted core capital elements included in BHC's tier 1 capital.

Extended Net Operating Loss Carryback Period

BHCs should continue to follow the guidance on accounting for the extended net operating loss carryback period under the Worker, Homeownership, and Business Assistance Act of 2009, that was included in the FR Y-9C Supplemental Instructions for December 31, 2010. These instructions can be accessed via the Federal Reserve's Website (http://www.federalreserve.gov/reportforms/supplemental/SI_FRY9_201012.pdf).

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Electronic Submission Option

This Bank offers BHCs the option of submitting their FR Y-11, FR 2314, and FR Y-12 reports electronically. Any BHC interested in submitting these reports electronically should contact Gloria Scott at (212) 720-7348 for information concerning the procedures for electronic transmission. BHCs choosing to submit these reports electronically must maintain in their files a signed printout of the data submitted.

Website

Report forms and instructions for the FR Y-9C, FR Y-9LP, FR Y-11, FR 2314 and FR Y-12 are available on the Federal Reserve Board's web site at www.federalreserve.gov under "Reporting Forms".

Questions regarding these reports should be addressed to Henry Castillo at (212)720-1318. Questions regarding the capital adequacy guidelines should be directed to Katherine Tilghman in the Policy and Analysis Department at (212) 720-5935.

Sincerely,

- Signed by Patricia Selvaggi -

Patricia Selvaggi
Statistics Officer

Attachment

Revisions to the FR Y-9C for March 31, 2011

Report Form

Income Statement (Schedule HI)

1. New memoranda items were added for “Impact on trading revenue of changes in the creditworthiness of the bank holding company’s derivatives counterparties on the bank holding company’s derivative assets” (item 9.f) and “Impact on trading revenue of changes in the creditworthiness of the bank holding company on the bank holding company’s derivative liabilities” (item 9.g).

Charge-Offs and Recoveries on Loans and Lease (Schedule HI-B)

1. New items were added for loans to individuals for household, family, and other personal expenditures. Specifically, “Automobiles loans” (item 5.b) was added, and “Other consumer loans” (item 5.b) was revised to exclude automobile loans and renumbered to (item 5.c).

Securities (Schedule HC-B)

1. New items were added to break out commercial pass-through mortgage-backed securities and other commercial mortgage-backed securities. Specifically, “Issued or guaranteed by FNMA, FHLMC, or GNMA” (item 4.c(1)(a)), “Other pass-through securities” (item 4.c(1)(b)), “Issued or guaranteed by FNMA, FHLMC, or GNMA” (item 4.c(2)(a)), and “All other commercial MBS” (item 4.c(2)(b)).

Loans (Schedule HC-C)

1. New items were added for loans to individuals for household, family, and other personal expenditures. Specifically, “Automobiles loans” (item 6.c) was added, and “Other consumer loans” (item 6.c) was revised to exclude automobile loans and renumbered to (item 6.d).
2. New memoranda items were added for loans restructured in trouble debt restructuring in compliance with their modified terms. Specifically, “Construction, land development,

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and other land loans in domestic offices” (item 1.a) was added and separated into two items: “1-4 family residential construction loans” (item 1.a(1)), and “All other construction loans and all land development and other land loans” (item 1.a(2)), “Secured by multifamily residential properties in domestic offices” (item 1.c), “Secured by nonfarm nonresidential properties in domestic offices” (item 1.d) was added and separated into two items: “Loans secured by owner-occupied nonfarm nonresidential properties” (item 1.d(1)) and “Loans secured by other nonfarm nonresidential properties” (item 1.d(2)), “Commercial and industrial loans” (item 1.e) was added and separated into two items: “U.S. addresses” (item 1.e(1)), “Non-U.S. addresses” (item 1.e(2)). In addition, “Loans secured by 1-4 family residential properties in domestic offices” (item 1.a) was renumbered to (item 1.b), and “Other loans and all other leases” (item 1.b) was renamed “All other loans” renumbered to (item 1.f) and separated into six items for “All other loans” that exceed 10% of total loans restructured in trouble debt restructurings that are in compliance with their modified terms (sum of Memorandum items 1.a through 1.f).

3. New memoranda items were added to loans for individuals for household, family, and other personal expenditures measured at fair value. Specifically, “Automobiles loans” (item 10.c(3)) was added, and “Other consumer loans” (item 10.c(3)) was revised to exclude automobile loans and renumbered to (item 10.c(4)).
4. New memoranda items were added to unpaid principal balances of loans to individuals for household, family, and other personal expenditures measured at fair value. Specifically, “Automobiles loans” (item 11.c(3)) was added, and “Other consumer loans” (item 11.c(3)) was revised to exclude automobile loans and renumbered to (item 11.c(4)).

Trading Assets and Liabilities (Schedule HC-D)

1. New items were added to separate “Commercial MBS” (item 4.d) into two new items: “Commercial MBS issued or guaranteed by FNMA, FHLMC, or GNMA” (item 4.d) and “All other commercial MBS” (item 4.e).
2. New items were added for loans to individuals for household, family, and other personal expenditures. Specifically, “Automobiles loans” (item 6.c(3)) was added, and “Other consumer loans” (item 6.c(3)) was revised to exclude automobile loans and renumbered to (item 6.c(4)).
3. New memoranda items were added to unpaid principal balances of loans to individuals for household, family, and other personal expenditures measured at fair value. Specifically, “Automobiles loans” (item 1.c(3)) was added, and “Other consumer loans” (item 1.c(3)) was revised to exclude automobile loans and renumbered to (item 1.c(4)).

Other Assets (Schedule HC-F)

1. “Life insurance assets” (item 5) was broken out into three new items: “General account life insurance assets” (item 5.a), “Separate account life insurance assets” (item 5.b), and “Hybrid account life insurance assets” (item 5.c).

Quarterly Assets (Schedule HC-K)

1. “Securities” (item 1) was separated into three new items: “U.S. Treasury securities and U.S. government agency obligations” (item 1.a), “Mortgage-backed securities” (item 1.b), and “All other securities” (item 1.c).
2. New items were added to total loans and leases in domestic offices. Specifically, “Loans to finance agricultural production and other loans to farmers” (item 3.a(3)), “Commercial and industrial loans” (item 3.a(4)), “Loans to individuals for household, family, and other personal expenditure” (item 3.a(5)) was added and separated into two new items: “Credit cards”(item 3.5(a)), and “Other” (item 3.a(5)(b)).

Past Due and Nonaccrual Loans (Schedule HC-N)

1. New items were added to loans to individuals for household, family, and other personal expenditures. Specifically, “Automobiles loans” (item 5.b) was added, and “Other consumer loans” (item 5.b) was revised to exclude automobile loans and renumbered to item 5.c).
2. New items were added for loans and leases covered by loss-sharing agreements with the FDIC. Specifically, “Loans and leases which are covered by loss-sharing agreements with the FDIC” (item 12) was added and separated into five items: “Loans secured by real estate in domestic offices” (item 12.a), “Loans to finance agricultural production and other loans to farmers” (item 12.b), “Commercial and industrial loans” (item 12.c), “Loans to individuals for household, family, and other personal expenditures” (item 12.d) was added and separated into three items: “Credit cards” (item 12.d(1)), “Automobiles loans” (item 12.d(2)), and “Other consumer loans” (item 12.d(3)), “All other loans and leases” (item 12.e), and “Portion of covered loans and leases that is protected by FDIC loss-sharing agreements” (item 12.f). In addition, “All other loans and leases” were separated into four items for the loan and lease categories reported in Schedule HC-M, items 6.a(5)(a) through (d).

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3. New memoranda items were added for loans restructured in trouble debt restructuring. Specifically, “Construction, land development, and other land loans in domestic offices” (item 1.a) was added and separated into two items “1-4 family residential construction loans” (item 1.a(1)), and “Other construction loans and all land development and other land loans” (item 1.a(2)), “Secured by multifamily residential properties” (item 1.c), “Secured by nonfarm nonresidential properties in domestic offices” (item 1.d) was added and separated into “Loans secured by owner-occupied nonfarm nonresidential properties” (item 1.d(1)), and “Loans secured by other nonfarm nonresidential properties” (item 1.d(2)), “Commercial and industrial loans” (item 1.e) and separated into two items: “U.S. addresses” (item 1.e(1)), and “Non-U.S. addresses” (item 1.e(2)). In addition, “Loans secured by 1-4 family residential properties in domestic offices” (item 1.a) was renumbered to (item 1.b), and “Other loans and all other leases” (item 1.b) was renamed “All other loans” renumbered to (item 1.f) and separated into six items for “All other loans” that exceed 10% of total loans restructured in troubled debt restructurings that are in past due 30 days or more or in nonaccrual status (sum of Memorandum items 1.a through 1.f, columns A through C).

Variable Interest Entities (Schedule HC-V)

1. Schedule HC-V was added to collect information on assets and liabilities of consolidated variable interest entities (VIEs).

Miscellaneous

1. New items were added to Schedule HC-M for assets covered by loss-sharing agreements with the FDIC. Specifically, “Loans and leases” (item 6.a) was added and separated into five items: “Loans secured by real estate in domestic offices” (item 6.a(1)), “Loans to finance agricultural production and other loans to farmers” (item 6.a(2)), “Commercial and industrial loans” (item 6.a(3)), “Loans to individuals for household, family, and other personal expenditures” (item 6.a(4)(a)), “All other loans and leases” (item 6.a(5)(a)). In addition, “All other loans and leases” was separated into four new items for loans and leases that exceed 10% of total loans and leases covered by loss-sharing agreements with the FDIC. Other real estate owned” (item 6.b) was separated into five items: “Construction, land development, and other land loans in domestic offices” (item 6.b(1)), “Farmland in domestic offices” (item 6.b(2)), “1-4 family residential properties in domestic offices” (item 6.b(3)), “Multifamily residential properties in domestic offices” (item 6.b(4)), “Nonfarm nonresidential properties in domestic offices” (item 6.b(5)), “In foreign offices” (item 6.b(6)), and “Portion of covered other real estate owned that is protected by FDIC loss-sharing agreements” (item 6.b(7)), “Debt securities” (item 6.c), and “Other assets” (item 6.d).

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2. New items were added to Schedule HC-M for “Captive insurance and reinsurance subsidiaries” (item 7) and separated into “Total assets of captive insurance subsidiaries” (item 7.a) and “Total assets of captive reinsurance subsidiaries” (item 7.b).
3. Preprinted caption from Notes to the Income Statement-Other: “Cumulative effect of the initial application of FAS 167 related to newly consolidated variable interest entities” (item 1) was deleted.
4. Preprinted captions from Notes to the Balance Sheet-Other: “Amount of assets included in Schedule HC-R, item 42, Column B, that were booked on-balance-sheet on the implementation date as a result of the bank holding company’s implementation of FAS 167” (item 2), and “Amount of ALLL recognized on the implementation date for assets that were booked on-balance-sheet as a result of the bank holding company’s implementation of FAS 167” (item 3) were deleted.

Instructions

1. General instructions for rules of consolidation were revised to clarify that for purposes of Schedule HC-M, items 7(a) and 7(b) only, the reporting of total assets of captive insurance and reinsurance subsidiaries should be measured before eliminating intercompany transactions.
2. Schedule HC-C, “Construction, land development, and other land loans” (item 1.a) was revised to clarify the reporting treatment for a construction, land development, and other land loan that was not originated as a “Combination construction-permanent loan” but was originated with the expectation that repayment would come from the sale of the real estate.
3. Schedule HC-N, General instructions was revised to clarify the definition of “Restructured” as “Restructured in Trouble Debt Restructurings.”
4. Schedule HC-P, General instructions was revised to provide explicit instructional guidance that all 1-4 family residential mortgage banking activities whether held for sale or trading purposes are reportable.
5. Schedule HC-R, section Reporting of Qualifying Restricted Core Capital Elements in Tier 1 Capital was revised to clarify the instructions to report qualifying restricted core capital elements in Tier 1 capital based solely on the new limits effective March 31, 2011.

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Revisions to the FR Y-9LP for March 2011

Instructions

1. General instructions negative entries were revised to clarify the reporting of negative amounts when negative entries are allowed.
2. Schedule PC-B, memoranda item 8 caption was renamed to “Loans of the parent restructured in troubled debt restructurings that are in compliance with their modified terms”.

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Revisions to the FR Y-11 & FR 2314 for March 2011

Report Form

1. Schedule IS, memorandum item 2 caption was renamed to “Net change in fair values of financial instruments accounted for under a fair value option (included in items 5.a(3), 5.a(6), 5.a(10), and 5.b above)”.
2. Schedule BS-A, item 7.d caption was renamed to “Loans restructured in trouble debt restructurings”.

Instructions

1. General Instructions were revised to clarify the reporting of variable interest entities.
2. Schedule BS-A, “Loans restructured in trouble debt restructurings” (item 7.d) was revised to include all loans to individuals for household, family, and other personal expenditures, and all loans secured by 1-4 family residential properties.