

FEDERAL RESERVE BANK *of* NEW YORK

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STATISTICS OFFICER

October 3, 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 September 30, 2011

The following report forms and instructions for the September 30, 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 a number of clarifications to certain line item captions and footnotes related to the reporting of interest-bearing demand deposits and to the characterization of mortgage backed securities guaranteed by the U.S. Government and U.S. Government sponsored agencies.

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 FR Y-12 for this quarter. Significant accounting updates have been provided in this letter. The revised instruction pages for the FR Y-9C, FR Y-9LP and FR Y-11 have vertical black lines in the margins to annotate revisions.

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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 Wednesday, November 9, 2011. Any **FR Y-9C** reports received after 5:00 p.m. on November 9 will be considered late. The submission deadline for all **FR Y-9LP** filers is Monday, November 14, 2011. Any **FR Y-9LP** reports received after 5:00 p.m. on November 14 will be considered late. The submission deadline for the **FR Y-12** is November 14, 2011. Any FR Y-12 reports received after 5:00 p.m. on November 14 will be considered late unless postmarked by Thursday, November 10 or sent by overnight service on Saturday, November 12. The submission deadline for the **FR Y-11** and **FR 2314** is Tuesday, November 29, 2011. Any FR Y-11 and FR 2314 reports received after 5:00 p.m. on November 29 will be considered late unless postmarked by Friday, November 25 or sent by overnight service on Saturday, November 26.

Submission of initial data via facsimile, even if prior to this deadline does not constitute an official filing. In view of this, please be sure that completed reports are submitted on time to:

Federal Reserve Bank of New York

Statistics Function

Administrative Support Staff

33 Liberty Street, 4th Floor

New York, N.Y. 10045

Editing of Data by Respondents

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

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.

Goodwill Impairment Testing

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

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

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

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.

The Glossary entry for “Transfers of Financial Assets” in the FR Y-9C instructions 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. In particular, the 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 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.

Troubled Debt Restructurings and Current Market Interest Rates

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

BHCs should note that, effective as of the March 31, 2011 reporting date, the FR Y-9C items in which loans that are TDRs were reported in prior quarters – Memorandum item 1 in

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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 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 to nontroubled borrowers at the time of the restructuring, some institutions have concluded that these restructurings are not TDRs, however, this conclusion may be inappropriate. In making this determination, these institutions may not have considered all of the facts and circumstances associated with the loan modification besides the interest rate. An interest rate on a modified loan greater than or equal to those available in the marketplace for similar credits does not in and of itself preclude a modification from being designated as a TDR. Rather, when evaluating a loan modification to a borrower experiencing financial difficulties, an analysis of all facts and circumstances is necessary to determine whether the 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 types of loans. This determination requires the use of judgment and should include an analysis

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of credit history and scores, loan-to-value ratios or other collateral protection, the borrower's ability to generate cash flow sufficient to meet the repayment terms, and other factors normally considered when underwriting and pricing loans.

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

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

- 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.

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

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring," to provide additional guidance to help creditors determine whether a concession has been granted to a borrower and whether a borrower is experiencing financial difficulties. The guidance is also

intended to reduce diversity in practice in identifying and reporting TDRs. This ASU is effective for public companies for interim and annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption for purposes of identifying TDRs. The measurement of impairment for any newly identified TDRs resulting from retrospective application will be applied prospectively in the first interim or annual period beginning on or after June 15, 2011. (For most public bank holding companies, the ASU will take effect July 1, 2011, but the retrospective application will begin as of January 1, 2011.) Nonpublic companies should apply the new guidance for annual periods ending after December 15, 2012, including interim periods within those annual periods. (For most nonpublic bank holding companies, the ASU will take effect January 1, 2012.) Early adoption of the ASU is permitted for both public and nonpublic entities, with nonpublic entities that adopt early subject to a retrospective identification requirement.

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

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

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

Furthermore, the ASU provides new guidance regarding insignificant delays in payment as part of loan modification. If, after analysis of all facts and circumstances, a creditor

determines that a delay in payment is insignificant, the creditor has not granted a concession to the borrower. This determination requires judgment and should consider many factors, including, but not limited to, the amount of the delayed payments in relation to the loan's unpaid principal or collateral value, the frequency of payments due on the loan, the original contractual maturity, and the original expected duration of the loan.

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

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 September 30, 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 April 1 through June 30, 2011, Insurance Period, which was available on *FDICconnect* as of September 15, 2011;
- Less the estimated amount of the bank subsidiary's regular quarterly assessment for the third quarter of 2011 (which should have been accrued as a charge to expense during the third quarter of 2011). The quarterly assessment for the third quarter of 2011 should be estimated based on the provisions of the FDIC's February 2011 final rule that redefined the deposit insurance assessment base for all insured institutions and revised the assessment system for large institutions. For further information on this final rule, see FDIC Financial Institution Letter FIL-8-2011 dated February 9, 2011, which can be accessed at <http://www.fdic.gov/news/news/financial/2011/fil11008.html>;

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, BHCs must report data on the assets and liabilities of their consolidated VIEs in 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 in the FR Y-9C instruction book.

In addition, when the assets of a consolidated VIE can be used only to settle obligations of that VIE, these assets are considered pledged assets for FR Y-9C reporting purposes. Accordingly, held-to-maturity and available-for-sale securities, held-for-sale and held-for-investment loans and leases, and trading assets of consolidated VIEs that can be used only for this purpose should be reported as pledged assets in Schedule HC-B, Memorandum item 1; Schedule HC-C, Memorandum item 14; and Schedule HC-D, Memorandum item 4, respectively.

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 has incorporated the FASB Codification references

throughout the entire FR Y-9C and FR Y-9LP instruction books while retaining references to the pre-Codification standards. In addition, the banking agencies have published on the FFIEC's Web site a list of all pre-Codification references to authoritative accounting literature found in the Call Report instruction book (as of March 2010) and the corresponding FASB Codification references, and this list may be useful for FR Y-9 reporting purposes. This reference guide can be accessed at http://www.ffiec.gov/pdf/ffiec_forms/CodificationIntroduction_201006.pdf.

Other-Than-Temporary Impairment

When the fair value of an investment in an individual available-for-sale or held-to-maturity security 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 as discussed in the Glossary entry for "Securities Activities".

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 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

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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 at 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 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:" or the FR Y-9SP, Schedule SC, item 11, "Long-term borrowings," and the Notes to the Financial Statements, item 1].). 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 at <http://www.treasury.gov/press-center/press-releases/Pages/hp1207.aspx>. The CPP is 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" [for the FR Y-9SP, Schedule SC-M, item 23.a], and included in balance sheet (Schedule HC) item 23, "Perpetual preferred stock and related surplus". (For the FR Y-9LP, Schedule PC, item 20). 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 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".

Warrants issued by a publicly traded bank holding company should be included in equity capital on the balance sheet (Schedule HC) 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, prior to either the issuance of the warrants or the end of the fiscal quarter in which the warrants are issued. 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 is included in Schedule HC, item 25, "Surplus". (For the FR Y-9LP, Schedule PC, item 20.c).

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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).

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;" for the FR Y-9SP, Schedule SC, item 11, "Long-term borrowings," and Schedule SC-M, item 23.a, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Senior perpetual preferred stock or similar items.") 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.

Electronic Submission Option

This Bank offers BHCs the option of submitting their FR Y-11, FR 2314, and FR Y-12 reports electronically. Any BHC interested in submitting these reports electronically should contact Carolyn Polite at (212) 720-5415 for information concerning the procedures for electronic transmission. BHCs choosing to submit these reports electronically must maintain in their files a signed printout of the data submitted.

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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 Monica Posen at (212) 720-8239. Questions regarding the capital adequacy guidelines should be directed to Emily Yang in the Capital Policy and Analysis Department at (212) 720-2734.

Sincerely,

- Signed by Patricia Selvaggi -

Patricia Selvaggi
Statistics Officer
Statistics Function

Attachment

Revisions to the FR Y-9C for September 30, 2011

Report Form

- (1) On Schedule HC, “Deposits in domestic offices” (item 13.a (1), footnote 1 was revised to clarify that the item includes noninterest-bearing demand, time, and savings deposits.
- (2) On Schedule HC-B, items 4.b.(1), 4.b.(2), 4.c.(2) and Schedule HC-D, items 4.b and 4.d reference to acronyms FNMA, FHLMC, or GNMA were replaced by “U.S. Government agencies or sponsored agencies” and a footnote was added describing examples of U.S. Government agencies and U.S. Government sponsored agencies.
- (3) Schedule HC-E, item 1.a. was changed from “Demand deposits” to “Noninterest-bearing balances” for items 1.b and 2.b and “interest –bearing demand deposits” was inserted at the beginning of the caption. In addition, footnotes were added to describe what is included in these items.
- (4) A footnote was added to Schedule HC-K, items 6 and 7 to indicate that the item includes interest-bearing demand deposits.

Instructions Only

1. Schedule HI, Memorandum item 9 was revised to clarify that only BHCs with \$100 billion or more in total assets and that are required to complete Memorandum items 9(a) through 9(e) must complete Memorandum items 9(f) and 9(g).
2. Schedule HC, “Deposits in domestic offices” line items 13(a)(1) and 13(a)(2) were revised to clarify that item 13(a)(1) includes noninterest-bearing demand deposits and item 13(a)(2) includes interest-bearing demand deposits.
3. Schedule HC-B, “Pledged securities” (memorandum item 1) was revised to include securities held by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIE.

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4. Schedule HC-C, General instructions and “Loans to depository institutions and acceptances of other banks (item 2) were revised to clarify that nonqualifying loan participations are reported in the loan category appropriate to the underlying loan, not as loans to depository institutions.
5. Schedule HC-C, “Loans to individuals for household, family, and other personal expenditures” (item 6) was revised to add certain clarification regarding the reporting of automobile loans.
6. Schedule HC-C, “Loans to nondepository financial institutions and other loans” (item 9) was revised to remove an outdated reference to Regulation U.
7. Schedule HC-C, “Pledged loans and leases” (memorandum item 14) was revised to clarify as pledged loans, those loans and leases held for sale or investment by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIE.
8. Schedule HC-D, “Commercial MBS issued or guaranteed by U.S. Government agencies or sponsored agencies” (item 4.d) was revised to clarify that commercial mortgage pass-through securities guaranteed by the Small Business Administration are included in this item.
9. Schedule HC-D, “Pledged securities” (memorandum item 4(a)) was revised to clarify that pledged securities held for trading purposes by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIE are included in this item.
10. Schedule HC-D, “Pledged loans” (memorandum item 4(b)) was revised to clarify that pledged loans and leases held for trading purposes by consolidated variable interest entities (VIEs) that can be used only to settle obligations of the same consolidated VIE are included in this item.
11. Schedule HC-F, “Life insurance assets” line items 5(a) and 5(c) were revised to clarify when a hybrid account life insurance asset may be reported as a general account life insurance asset, and further defined a hybrid account life insurance asset.
12. The general instructions for Schedule HC-K was revised to clarify the calculation of averages when the BHC was the acquirer in a business combination.
13. Schedule HC-R, “Less: Disallowed deferred tax assets” (item 9(b)) was revised to clarify the calculation of disallowed deferred tax assets.

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14. On Schedule HC-R, “Held-to maturity securities” (item 35) and “Available-for-sale securities” (item 36) reference to acronyms FNMA, FHLMC, or GNMA was replaced by “U.S. Government agencies or sponsored agencies.”
15. The glossary entry for “Deposits” was revised to indicate that demand deposits may be interest-bearing or noninterest-bearing.
16. A new glossary entry, “Excess Balance Account” was added.
17. A cross-reference to “Excess Balance Account” was added to the glossary entry for “Pass-through Reserve Balances.”

Revisions to the FR Y-9LP for September 2011

Report Instructions

1. Schedule PC, “Subordinated notes and debentures” (item 16) was revised to clarify that a subordinated note or debenture is a form of debt issued by the bank holding company.

Revisions to the FR Y-11 and FR 2314 for September 2011

Report Instructions

1. General instructions and instructions to all schedules were updated to incorporate references to the FASB Accounting Standards Codification (ASC).