

Board of Governors of the Federal Reserve System

Supplemental Instructions

September 2003

Accounting for Indexed Retirement Plans

Banking organizations are reminded to account for indexed retirement plans in accordance with generally accepted accounting principles.

Bank organizations that have agreements with individual employees to provide retirement benefits often fund the benefit obligation with the proceeds from bank-owned life insurance (BOLI). Some of these agreements are referred to as indexed retirement plans because retirement benefits are based upon the difference between the actual earnings on the BOLI and a predefined index ("excess spread"). If the agreements with individual employees, taken together, are equivalent to a postretirement income plan, then FASB Statement No. 87, *Employers' Accounting for Pensions*, governs the accounting. Otherwise, each agreement should be accounted for individually on an accrual basis in accordance with the terms of the underlying contract as required by the provisions of Accounting Principles Board Opinion No. 12, *Omnibus Opinion*, addressing deferred compensation contracts.

Many employee agreements provide for future benefit payments from the excess spread that accrues before and after retirement on the related BOLI. Opinion No.12, as amended by FASB Statement No.106, requires employer obligations under deferred compensation contracts to be accrued over the required service periods until the date the employee is fully eligible for the benefits ("full eligibility date"). However, some institutions have failed to record a liability for the estimated cost of benefit payments related to the excess spread that the employee will be entitled to receive after retirement. In addition, some institutions have failed to accrue the present value of the expected future benefit payments by the full eligibility date.

The failure to record a liability for the postretirement excess spread or to appropriately consider the impact of vesting provisions on the full eligibility date represents an accounting error. If an institution has made an error that is deemed material, it should make an adjustment to correct this accounting error and report the effect of the adjustment on retained earnings as of the beginning of the year in Schedule HI-A, item 2. The effect of the adjustment on earnings since the beginning of the year should be reflected in the appropriate income statement (Schedule HI) account on a year-to-date basis. The institution also should contact its primary federal supervisor to determine whether prior FR Y-9 reports should be amended.

Revisions to the estimated cost of future benefits because of changes in assumptions (e.g., changes in interest rates) should be accounted for as a change in accounting estimate and not as an accounting error.

FASB Statement No. 149 and Loan Commitments That Must Be Accounted for as Derivatives

FASB Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, provides guidance on the circumstances in which a loan commitment must be accounted for as derivative. This guidance applies to commitments issued after June 30, 2003. Commitments issued before July 1, 2003, are addressed by FASB Statement No. 133 Implementation Issue No. C13. Bank holding companies must follow the guidance in Statement No. 149 and Issue No. C13 for FR Y-9 reporting purposes.

Under Statement No. 149, loan commitments that relate to the origination or of mortgage loans that will be held for sale must be accounted for as derivative instruments by the issuer of the commitment. Commitments to originate mortgage loans that will be held for investment purposes and commitments to originate other types of loans are not considered derivatives. However, for commitments to purchase or sell existing loans, the definition of a derivative in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (see page GL-19 of the Glossary section of the FR Y-9C instructions) should be applied to these commitments to determine whether they meet this definition and are subject to the provisions of Statement No. 133.

FASB Statement No. 149 differs somewhat from Issue No. C13. Under Statement No. 149, loan commitments that relate to the origination *or purchase* of mortgage loans that will be held for sale must be accounted for as derivatives in accordance with Statement No. 133. However, loan commitments that relate to the origination *or purchase* of mortgage loans that will be held for investment, i.e., loans for which the bank holding company has the intent and ability to hold for the foreseeable future or until maturity or payoff, are not considered derivatives. In addition, commitments that relate to the origination of other types of loans (that is, other than mortgage loans) are not considered derivatives.

Mortgage loan commitments that must be accounted for as derivatives are considered over-the-counter written interest rate options. Therefore, because they are derivatives, these commitments should not be reported as unused commitments in item 1 of Schedule HC-L, Derivative and Off-Balance Sheet Items. Instead, mortgage loan commitments that are derivatives must be reported on the balance sheet (Schedule HC) at fair value. In addition, the par value of the mortgage loans to be acquired under these commitments must be reported in Schedule HC-L, item 11.d.(1), column A, and in Schedule HC-L, item 13, column A. The fair value of these mortgage loan commitments must be reported in the appropriate subitem of Schedule HC-L, item 14.b. As written options, mortgage loan commitments that are derivatives are not covered by the Federal Reserve's risk-based capital standards. However, if the fair value of these mortgage loan commitments is positive and therefore reported as an asset, this positive fair value is subject to the risk-based capital standards and must be risk weighted as an on-balance sheet asset.

The unused portion of loan commitments that are not considered derivatives should continue to be reported in Schedule HC-L, item 1. Unused commitments with an original maturity exceeding one year are subject to the risk-based capital standards and must be reported in Schedule HC-R, item 53.

Reporting Asset-Backed Commercial Paper Conduits in Schedule HC-S

For purposes of Memorandum item 3 of Schedule HC-S, Servicing, Securitization, and Asset Sale Activities, bank holding companies (BHCs) must report the requested information on credit enhancements and liquidity facilities provided to asset-backed commercial paper conduits regardless of their accounting treatment for the conduit. Thus, whether or not a BHC must consolidate the conduit for reporting purposes in accordance with FASB Interpretation No. 46, the BHC must report its maximum credit exposure arising from and its unused commitments to conduit structures in Memorandum items 3.a and 3.b, respectively.

The banking agencies have issued an interim final rule that sets forth a temporary risk-based capital treatment for assets in asset-backed commercial paper conduits that sponsoring bank organizations are required to consolidate in accordance with Interpretation No. 46. This interim capital treatment allows sponsoring bank organizations to exclude the consolidated asset-backed commercial paper program assets from their risk-weighted asset bases when they calculate their risk-based capital ratios. However, sponsoring bank organizations must continue to hold risk-based capital against all exposures arising in connection with these programs, including direct credit substitutes, recourse obligations, residual interests, long-term liquidity facilities, and loans. Furthermore, any minority interests in consolidated asset-backed commercial paper programs are not eligible for inclusion in Tier 1 capital (or total risk-based capital). This interim risk-based capital treatment will be in effect only for the September 30 and December 31, 2003, and March 31, 2004, FR Y-9C report dates. In addition, the interim risk-based capital treatment does not alter the accounting rules for balance sheet consolidation under Interpretation No. 46, nor does it affect the denominator of the Tier 1 leverage capital ratio calculation, which continues to be based primarily on on-balance sheet assets as reported under generally accepted accounting principles.

However, bank holding companies should continue to report in the appropriate items of Schedule HC-R any credit enhancements and liquidity facilities that they provide to the asset-backed commercial paper programs they sponsor.

Under the agencies' interim rule, bank organization sponsors of any consolidated asset-backed commercial paper programs should include the consolidated assets in the appropriate balance sheet asset categories when completing items 34 through 43, column A, in Schedule HC-R, Regulatory Capital. The amounts of these consolidated assets should also be reported in items 34 through 43, column B, "Items not Subject to Risk-Weighting." However, sponsoring bank organizations must continue to hold risk-based capital against all exposures arising in connection with these programs, whether or not the programs are consolidated, including direct credit substitutes, recourse obligations, residual interests, long-term liquidity facilities, and loans. These exposures should be reported in the appropriate items of Schedule HC-R. Furthermore, any minority interests in consolidated asset-backed commercial paper programs are not eligible for inclusion in Tier 1 capital (or total risk-based capital).

Reporting Gains and Losses from Extinguishments of Debt, Including Prepayment Penalties

Until it was rescinded by FASB Statement No. 145 in April 2002, FASB Statement No. 4 required gains and losses from the extinguishment (repayment or retirement) of debt to be aggregated and, if material, reported as extraordinary items. Under Statement No. 145, such gains and losses should be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30. For FR Y-9C purposes, except for those unusual and infrequent gains and losses that qualify as extraordinary, bank holding companies should aggregate their gains and losses from the extinguishment of debt, including losses resulting from the payment of prepayment penalties on borrowings such as Federal Home Loan Bank advances, and consistently report the net amount in item 7.d, "Other noninterest expense," of the income statement (Schedule HI). Only if a bank holding company's debt extinguishments normally result in net gains over time should the bank holding company consistently report its net gains (losses) in Schedule HI, item 5.1, "Other noninterest income."

In addition, under FASB Emerging Issues Task Force (EITF) Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments," the accounting for the gain or loss on the modification or exchange of debt depends on whether the original and the new debt instruments are substantially different. If they are substantially different, the transaction is treated as an extinguishment of debt and the gain or loss on the modification or exchange is reported immediately in earnings as discussed above. If the original and new debt instruments are not substantially different, the gain or loss on the modification or replacement of the debt is deferred and recognized over time as an adjustment to the interest expense on the new borrowing. EITF Issue No. 96-19 provides guidance on how to determine whether the original and the new debt instruments are substantially different.

Deposit Accounts on Which the Interest Rate Has Been Reduced to Zero

Many depository institutions offer deposit products, such as money market deposit accounts or NOW accounts, on which they periodically adjust the interest rate paid on the accounts in response to changes in market interest rates and other factors. If a depository institution's rate adjustments on certain deposit accounts have reduced the interest rate to zero, but the interest rate paid on these accounts can be increased as market conditions change, the bank holding company should continue to report the deposits as interest-bearing accounts in item 13 of Schedule HC, Balance Sheet, and include them in the appropriate deposit items in Schedule HC-K, Quarterly Averages.

FASB Interpretation No. 46

The FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities*, in January 2003. This interpretation explains how to identify a "variable interest entity" (previously referred to as a "special purpose entity") and how an organization should assess its interests in a variable interest entity to decide whether to consolidate that entity. Variable interest entities often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, and reinsurance. Most small bank holding companies

(BHCs) are unlikely to have any “variable interests” in variable interest entities.

In general, a variable interest entity is an entity in which either the controlling financial interests are not voting interests or the equity investors do not bear the entity’s residual economic risks. A variable interest is a contractual or ownership interest in an entity that changes when the value of the entity’s net assets changes. An organization that has a variable interest (or a combination of variable interests) that will absorb a majority of a variable interest entity’s expected losses if they occur, receive a majority of the entity’s expected residual returns if they occur, or both, is the “primary beneficiary” of the variable interest entity and must consolidate it.

For FR Y-9C purposes, BHCs with variable interests in variable interest entities created after January 31, 2003, must apply the provisions of Interpretation No. 46 to those entities immediately. A BHC that is a public company and has a variable interest in a variable interest entity created before February 1, 2003, must apply the provisions of Interpretation No. 46 to that entity no later than the beginning of the first interim or annual reporting period beginning after June 15, 2003. A BHC that is not a public company but has a variable interest in a variable interest entity created before February 15, 2003, must apply the provisions of Interpretation No. 46 to that entity no later than the end of the first annual reporting period beginning after June 15, 2003.

The assets and liabilities of a consolidated variable interest entity should be reported on the FR Y-9C balance sheet (Schedule HC) on a line-by-line basis according to the asset and liability categories shown on the balance sheet. This reporting treatment also carries over to the other schedules in the FR Y-9C.

Allocated Transfer Risk Reserves

For bank holding companies (BHCs) that have allocated transfer risk reserves (ATTRs) related to loans and leases held for investment, the way in which the ATTR and related provisions should be reported on the FR Y-9C balance sheet and income statement changed effective with the March 31, 2003, reporting date. Any ATTRs related to loans and leases held for investment should be included on the balance sheet in Schedule HC, item 4.c, “Allowance for loan and lease losses.” This means that these ATTRs should no longer be deducted directly from the individual loans to which they relate in the FR Y-9C loan schedule (Schedule HC-C). The amount of any ATTRs related to loans and leases held for investment should be disclosed in new Memorandum item 1 of Schedule HI-B, part II. In addition, provisions for allocated transfer risk related to loans and leases should be included in Schedule HI, item 4, “Provision for loan and lease losses.” Any ATTRs for assets other than loans and leases held for investment should continue to be deducted directly from the individual assets for FR Y-9C balance sheet purposes.

ATTRs are not eligible for inclusion in either Tier 1 or Tier 2 capital. Therefore, because the allowance for loan and lease losses will include any ATTRs related to loans and leases held for investment, BHCs should ensure that they deduct these ATTRs from the amount of the loan loss allowance reported on the FR Y-9C balance sheet when determining the “Allowance for loan and lease losses includible in Tier 2 capital” and the “Excess allowance for loan and lease

losses” to be reported in Schedule HC-R, items 14 and 60, respectively. The entire amount of a bank’s ATRR should be reported in Schedule HC-R, item 61.

Equity-Indexed Certificates of Deposit

Under FASB Statement No. 133, a certificate of deposit (CD) that pays "interest" based on changes in an equity securities index is a hybrid instrument with an embedded derivative that must be accounted for separately from the host contract, i.e., the CD. **Examples of equity-indexed CDs include the "Index Powered CD" and the "Dow Jones Industrials Indexed Certificate of Deposit."**

At the maturity date of a typical equity-indexed CD, the holder of the CD receives the original amount invested in the CD plus some or all of the appreciation, if any, in an index of stock prices over the term of the CD. Thus, the equity-indexed CD contains an embedded equity call option. To manage the market risk of its equity-indexed CDs, a bank that issues these CDs normally enters into one or more separate freestanding equity derivative contracts with an overall term that matches the term of the CDs. At maturity, these separate derivatives are expected to provide the bank with a cash payment in an amount equal to the amount of appreciation, if any, in the same stock price index that is embedded in the CDs, thereby providing the bank with the funds to pay the "interest" on the equity-indexed CDs. During the term of the separate freestanding equity derivative contracts, the bank will periodically make either fixed or variable payments to the counterparty on these contracts.

When a subsidiary bank of a bank holding company (BHC) issues an equity-indexed CD, it must account for the written equity call option embedded in the CD separately from the CD host contract. The fair value of this embedded derivative on the date the CD is issued must be deducted from the amount the purchaser invested in the CD, creating a discount on the CD that must be amortized to interest expense over the term of the CD using the effective interest method. This interest expense should be reported in the income statement, of the FR Y-9C, in the appropriate subitem of Schedule HI, item 2.a, "Interest on deposits." The equity call option must be "marked to market" at least quarterly with any changes in the fair value of the option recognized in earnings. On the balance sheet, the carrying value of the CD host contract and the fair value of the embedded equity derivative may be combined and reported together as deposit liabilities on the balance sheet (Schedule HC). As for the separate freestanding derivative contracts the bank enters into to manage its market risk, these derivatives must be carried on the balance sheet as assets or liabilities at fair value and "marked to market" at least quarterly with changes in their fair value recognized in earnings. The fair value of the freestanding derivatives should not be netted against the fair value of the embedded equity derivatives for FR Y-9C balance sheet purposes because these two derivatives have different counterparties. The periodic payments to the counterparty on these freestanding derivatives must be accrued with the expense reported in earnings along with the change in the derivative's fair value. In the FR Y-9C income statement (Schedule HI), the changes in the fair value of the embedded and freestanding derivatives, including the effect of the accruals for the payments to the counterparty on the freestanding derivatives, should be netted and reported consistently in either "Other noninterest income" (item 5.l) or "Other noninterest expense" (item 7.d).

The notional amounts of the embedded and freestanding equity derivatives must be reported in column C of Schedule HC-L, items 11.d.(1) and 11.e, respectively. The notional amounts of both derivatives must also be included in Schedule HC-L, item 13, column C. The fair values of these two derivative contracts must be included in the appropriate subitems of Schedule HC-L, item 14.b, column C. The equity derivative embedded in the indexed CD is a written option, which is not covered by the Federal Reserve's risk-based capital standards. However, the freestanding equity derivative is covered by these standards.

A BHC or its subsidiary that purchases an equity-indexed CD for investment purposes must account for the embedded purchased equity call option separately from the CD host contract. The fair value of this embedded derivative on the date of purchase must be deducted from the purchase price of the CD, creating a discount on the CD that must be accreted into income over the term of the CD using the effective interest method. This accretion should be reported in the FR Y-9C income statement in Schedule HI, item 1.c. The embedded equity derivative must be "marked to market" at least quarterly with any changes in its fair value recognized in earnings. These fair value changes should be reported consistently in either "Other noninterest income" (item 5.1) or "Other noninterest expense" (item 7.d). The carrying value of the CD host contract and the fair value of the embedded equity derivative may be combined and reported together as interest-bearing balances due from depository institutions on the balance sheet in Schedule HC, item 1.b. The notional amount of the embedded derivative must be reported in Schedule HC-L, item 11.d.(2), column C, and item 13, column C, and, if appropriate, its fair value (which will always be positive or zero, but not negative) must be reported in Schedule HC-L, item 14.b.(1), column C. The embedded equity derivative in the indexed CD is a purchased option, which is subject to the Federal Reserve's risk-based capital standards.

FASB Interpretation No. 45

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. This interpretation clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Among the types of guarantee contracts to which the provisions of Interpretation No. 45 apply are:

- financial standby letters of credit, which are irrevocable undertakings, typically by a financial institution, to guarantee payment of a specified financial obligation, and
- performance standby letters of credit, which are irrevocable undertakings by a guarantor to make payments in the event a specified third party fails to perform under a nonfinancial contractual obligation.

Commercial letters of credit and other loan commitments, as well as subordinated interests in securitizations, are not considered guarantees under Interpretation No. 45 and, therefore, are not subject to the interpretation. Bank holding companies (BHCs) should refer to Interpretation No. 45 for further information on the types of guarantee contracts to which the interpretation's initial recognition and measurement provisions do and do not apply.

For financial and performance standby letters of credit and other types of guarantees subject to the interpretation, when a BHC or its subsidiary issues the guarantee, it must recognize on its balance sheet a liability for that guarantee. In general, the initial measurement of the liability is the fair value of the guarantee at its inception. When a BHC or its subsidiary issues a guarantee in a standalone arm's length transaction with a party outside the consolidated BHC, which would typically be the case for a standby letter of credit, the liability recognized at the inception of the guarantee should be the premium or fee received or receivable by the guarantor. However, if the BHC or its subsidiary issues a guarantee for no consideration on a standalone basis, the liability recognized at inception should be an estimate of the guarantee's fair value. In the unusual circumstance where, at the inception of a guarantee, it is probable that a loss has been incurred and its amount can be reasonably estimated, the liability to be initially recognized for that guarantee should be the greater of the premium or fee received or receivable by the guarantor or the estimated loss from the loss contingency that must be accrued under FASB Statement No. 5, *Accounting for Contingencies*.

Interpretation No. 45 does not prescribe a specific account for the guarantor's offsetting entry when it recognizes the liability at the inception of a guarantee because that offsetting entry depends on the circumstances. If a BHC or its subsidiary issued a standby letter of credit or other guarantee in a standalone transaction for a premium or fee, the offsetting entry would reflect the consideration the BHC or its subsidiary received, such as cash, a receivable, or a reduction of a deposit liability. In contrast, if the BHC or its subsidiary received no consideration for issuing the guarantee, the offsetting entry would be to expense.

The interpretation does not describe in detail how a BHC's or its subsidiary's liability for its obligations under its guarantees should be measured subsequent to initial recognition. However, the accounting for fees received for issuing standby letters of credit has been, and should continue to be, governed by FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*. Under Statement No. 91, such fees are termed "commitment fees."

For FR Y-9C purposes, BHCs should apply the initial recognition and measurement provisions of Interpretation No. 45 on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the BHC's fiscal year-end. A BHC's previous accounting for guarantees issued prior to January 1, 2003, should not be revised.

FASB Statements Nos. 141, 142 and 147

In July 2001, the FASB issued Statement No. 141, *Business Combinations*, and Statement No. 142, *Goodwill and Other Intangible Assets*. In October 2002, the FASB issued a related accounting standard, Statement No. 147, *Acquisitions of Certain Financial Institutions*, which is discussed in the following section. Bank holding companies (BHCs) must follow each of these three accounting standards for FR Y-9C purposes.

Statement No. 141 requires all business combinations (i.e., mergers and acquisitions), except for combinations between two or more mutual enterprises, to be accounted for by the purchase method. The use of the pooling-of-interests method is prohibited. Statement No. 141 also changes the requirements for recognizing intangible assets as assets apart from goodwill in business combinations accounted for by the purchase method. The statement specifically identifies core deposit intangibles as one type of intangible that must be recognized as an asset separate from goodwill.

Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not in a business combination) should be accounted for upon their acquisition. It also explains how goodwill and other intangible assets should be accounted for after they have been acquired. In this regard, under Statement No. 142, goodwill should not be amortized, but should be tested for impairment in accordance with the provisions of this accounting standard. In addition, core deposit intangibles have a finite useful life and must be amortized over this period using a method that reflects the pattern in which the economic benefit of the asset is consumed. For core deposit intangibles, this results in the use of an accelerated method of amortization.

Although the accounting rules for goodwill and other intangible assets have changed, there has been no change in the regulatory capital treatment of these assets. The existing regulatory capital limits on servicing assets and purchased credit card relationships remain in effect, and goodwill and other intangible assets continue to be deducted from capital and assets in determining a BHC's capital ratios.

Reporting of Funds Invested Through Bentley Financial Services, Inc.

On October 30, 2001, the banking regulatory agencies issued a joint release advising depository institutions that the Securities and Exchange Commission (SEC) had filed suit against Robert L. Bentley, Entrust Group, and Bentley Financial Services, Inc. Specifically, the SEC alleged that the defendants were representing to investors that they were selling federally-insured certificates of deposit when, in fact, they were selling uninsured securities issued by the defendants. In addition, a temporary restraining order was issued against the defendants, freezing the defendants' accounts and appointing a receiver to exercise control over the defendants' assets. In light of these events, bank holding companies that have invested funds through Bentley Financial Services should report these funds as "Other" assets in Schedule HC-F, item 5, *not* as "Interest-bearing balances" due from depository institutions in Schedule HC, item 1.b. In addition, these Bentley-related assets should be placed in nonaccrual status and reported as nonaccrual assets in Schedule HC-N, item 9, column C. Previously accrued but uncollected interest on these funds should be reversed through a charge to interest income (for any amounts accrued in 2002) and a charge to other noninterest expense (for amounts accrued prior to 2002) in Schedule HI, Income Statement. Any write-downs of Bentley-related assets and changes to establish valuation allowances against these assets should be reported as other noninterest expense. In addition, these funds should be risk-weighted at 100 percent in item 42, column F, in Schedule HC-R, Regulatory Capital.

Accelerated Filing Deadline

The Board approved the acceleration of the filing deadline for top-tier FR Y-9C filers and will follow the SEC's phased-in approach by implementing a 40-day deadline in June 2004 and a 35-day deadline in June 2005. The new filing deadlines apply for the March, June, and September report dates. The December filing deadline for top-tier FR Y-9C filers will remain at 45 days after the report date.

The 35-day deadline is defined as "5 business days after the 30th day after the report date" to allow time for integration of bank data in the event that the 30th day falls on a weekend.

The FR Y-9LP, FR Y-9SP, FR Y-9ES and all lower-tier bank holding companies that file the FR Y-9C are not subject to the accelerated deadline. The deadline for these reports will remain at 45 days after the report date.

Listing of Revisions

Significant Revisions to the FR Y-9C for September 2003:

Reporting Form and Corresponding Instructions

- (1) *Schedule HI, item 5.h.(1)*. Restated the reporting caption to read as “Underwriting income from insurance and reinsurance activities” to emphasize that item collects underwriting income.
- (2) *Schedule HC-L, item 1.c.(1) and 1.c.(2)*. Inserted the general caption for item 1.c, “Commercial real estate, construction, and land development.” into the line captions for item 1.c.(1) and 1.c.(2) to emphasize that both items collect commitments to fund this type of lending.
- (3) *Notes to the Balance Sheet—Other, item 1*. Provided hard-coded caption for a note to disclose “Trust preferred securities reported as liabilities in public financial statements (included in Schedule HC, item 22, ‘Minority interest in consolidated subsidiaries.’)”

Instructions Only

- (1) *Schedule HC-N, Memoranda item 7*. Clarified the instruction to generally indicate that any addition to nonaccrual assets during the quarter should be included, even if the asset is no longer reportable as nonaccrual at the quarter-end date. The exception is that if a given asset is placed in nonaccrual status more than once during the quarter (which should be a rare occurrence), then only one amount should be reported (i.e., do not double count).
- (2) *FR Y-9C Edits*. Added or modified a number of edits, principally associated with editing of insurance-related items.

Revisions to the FR Y-9LP for September 2003:

Report Form

Updated reporting date to September 30, 2003. No other changes for this quarter.

Instructions

FR Y-9LP Edits. Added an edit that was previously omitted by mistake.

Revisions to the FR Y-11 for September 2003:

Report Form

Updated reporting date to September 30, 2003. No other changes for this quarter.