# Board of Governors of the Federal Reserve System

## Supplemental Instructions March 2007

### Editing of Data by Respondents

The Federal Reserve requires validation checks to be performed by respondents as part of the electronic submission process for the FR Y-9 series of reports. This process requires bank holding companies (BHCs) to perform published validity and quality checks on data (so-called edits) by the filing deadline. Respondents are encouraged to file reports electronically as soon as possible, rather than waiting until the submission deadline. Validity and quality edits are provided at the end of the reporting instructions for the FR Y-9C, FR Y-9LP, FR Y-9SP and FR Y-9ES. Additional information regarding this submission process may be found on the web site: *www.reportingandreserves.org* under the heading BHC Modernization project. For example, see this website for information on guidelines for resolving edits and a document addressing frequently asked questions (FAQ).

### Fair Value Measurement and Fair Value Option

FASB Statement No. 157, *Fair Value Measurements* (FAS 157), issued in September 2006, defines fair value, establishes a framework for measuring the fair value of assets and liabilities based on a three-level hierarchy, and expands disclosures about fair value measurements. The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting bank holding company has the ability to access at the measurement date (e.g., the FR Y-9C reporting date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. Earlier adoption of FAS 157 is permitted as of the beginning of an earlier fiscal year, provided the bank holding company has not yet issued a financial statement or filed a FR Y-9C report for any period of that fiscal year. Thus, a bank holding company with a calendar year fiscal year may voluntarily adopt FAS 157 as of January 1, 2007. For those financial instruments identified in FAS 157 to which the standard must be applied retrospectively upon initial application, the effect of initially applying FAS 157 to these instruments should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. This adjustment should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and may be separately described in the Notes to the Income Statement—Other.

FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), issued in February 2007, would allow bank holding companies to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a bank holding company may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A bank holding company may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A bank holding company's decision to elect the fair value option for an eligible item is irrevocable. A bank holding company that elects the fair value option is expected to apply sound risk management and control practices to the assets and liabilities that will be accounted for at fair value under the option.

FAS 159 is effective as of the beginning of a bank holding company's first fiscal year that begins after November 15, 2007, and should not be applied retrospectively to prior fiscal years, except as permitted in the standard's early adoption provisions. A bank holding company may adopt FAS 159 and elect the fair value option for existing eligible items as of the beginning of a fiscal year that begins on or before November 15, 2007, subject to the conditions set forth in the standard, one of which is a requirement to adopt all of the requirements of FAS 157 at the early adoption date of FAS 159 or earlier. Under the early adoption provisions of FAS 159, a bank holding company with a calendar year fiscal year may adopt this standard as of January 1, 2007, provided it adopts FAS 157 as of that date or earlier. If a bank holding company elects the fair value option for eligible items that exist on the effective date of its adoption of FAS 159, the bank must report the effect of the first remeasurement of these items to fair value as a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the fiscal year of adoption. The difference between the carrying amount and the fair value of eligible items for which the fair value option is elected at the effective date should be removed from the balance sheet (Schedule HC) and included in the cumulative-effect adjustment. This adjustment should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and may be separately described in the Notes to the Income Statement—Other.

A new Schedule HC-Q, Financial Assets and Liabilities Measured at Fair Value, has been added to the FR Y-9C report this quarter. Schedule HC-Q is to be completed by bank holding companies that have adopted FAS 157 and either (1) have elected the fair value option under FAS 159 or under FASB Statements No. 155 or 156, which are discussed below (bank holding companies that meet this criteria must complete *all* items on Schedule HC-Q), or (2) are required to complete Schedule HC-D, Trading Assets and Liabilities (bank holding companies that meet this criteria but do not meet criteria (1) must complete *only* Schedule HC-Q items 2 and 5, and leave items 1, 2.a, 3, 4, 6 and 7 blank).

**FASB Statement No. 158 on Defined Benefit Postretirement Plans**

FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (FAS 158), issued in September 2006, requires a bank holding company that sponsors a single-employer defined benefit postretirement plan, such as a pension plan or health care plan, to recognize the funded status of each such plan on its balance sheet. An overfunded plan is recognized as an asset while an underfunded plan is recognized as a liability. As of the end of the fiscal year when a bank holding company initially applies FAS 158, the postretirement plan amounts recognized on the bank holding company's balance sheet before applying FAS 158 must be adjusted to recognize gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in the net periodic benefit cost of its plans. These adjustment amounts are recognized directly in equity capital as components of the ending balance of accumulated other comprehensive income (AOCI), net of tax. Thereafter, a bank holding company must recognize certain gains and losses and prior service costs or credits that arise during each reporting period, net of tax, as a component of other comprehensive income (OCI) and, hence, AOCI. Postretirement plan amounts carried in AOCI are adjusted as they are subsequently recognized in earnings as components of the plans' net periodic benefit cost.

Bank holding companies that sponsor single-employer defined benefit postretirement plans must adopt FAS 158 for regulatory reporting purposes in accordance with the standard's effective date and transition provisions. Accordingly, bank holding companies that have "publicly traded equity securities," as defined in FAS 158, must initially recognize the funded status of these plans as of the end of the fiscal year ending after December 15, 2006. All other bank holding companies must initially recognize the funded status of these plans as of the end of the fiscal year ending after June 15, 2007. Thus, bank holding companies that have a calendar year fiscal year must adopt FAS 158 as of December 31, 2006, if they have "publicly traded equity securities" and as of December 31, 2007, if they do not. Early adoption of FAS 158 is permitted, but must be for all of an institution's benefit plans. For FR Y-9C reporting purposes, bank holding companies should report the adjustments to the ending balance of AOCI from initially applying FAS 158 as of the end of their fiscal year, net of tax, in item 12, "Other comprehensive income," of Schedule HI-A, Changes in Equity Capital.

In addition, according to an interim decision announced by the banking agencies on December 14, 2006, bank holding companies should reverse the effects of FAS 158 for regulatory capital purposes, including the reporting and measuring of the leverage ratio and risk-based capital. The intent of the reversal is to neutralize the effect of the application of FAS 158 on regulatory capital. Bank holding companies should exclude from regulatory capital any amounts recorded in AOCI resulting from the adoption and application of FAS 158. For FR Y-9C purposes, these excluded amounts should be reported in item 4 of Schedule HC-R, Regulatory Capital, together with the accumulated net gains (losses) on cash flow hedges. If the sum of the amounts included in AOCI (Schedule HC, item 26.b) for defined benefit postretirement plans under FAS 158 and for cash flow hedges represents a net gain (i.e., a net increase) in reported equity capital, this sum should be reported as a positive value in item 4 of Schedule HC-R. If the sum represents a net loss (i.e., a decrease) in reported equity capital, it should be reported as a negative number in item 4 of Schedule HC-R.

For purposes of calculating risk-based capital and the leverage ratio, bank holding companies should also adjust their assets for the amount of the AOCI offset affecting assets. Specifically, assets recognized or derecognized as an adjustment to AOCI as part of the incremental effect of applying FAS 158 should be reported as an adjustment to assets in item 42 of Schedule HC-R, column B, and should also be reported in item 26 of Schedule HC-R. For example, derecognition of an asset recorded as an offset to AOCI as part of the initial incremental effect of applying FAS 158 should be recorded as a negative amount in item 42, column B, of Schedule HC-R and as a positive amount in item 42, column F. This amount should also be added back to average total assets for leverage capital purposes by reporting it as a negative number in item 26 of Schedule HC-R. As another example, a benefit plan surplus asset recognized as an offset to

AOCI and included in item 42, column A, of Schedule HC-R should be excluded from risk-weighted assets by reporting the amount as a positive number in item 42, column B. This amount should also be deducted from average total assets for leverage capital purposes by reporting this amount as a positive number in item 26 of Schedule HC-R. The adjustments for purposes of calculating risk-based capital and the leverage ratio described above should be adjusted for subsequent amortization of such amounts from AOCI into earnings.

**Quantifying FR Y-9 Report Misstatements**

The staff of the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), in September 2006 (http://www.sec.gov/interps/account/sab108.pdf). This guidance has been codified as Topic 1.N. in the Codification of Staff Accounting Bulletins. According to SAB 108, the effects of prior year misstatements should be considered when quantifying misstatements in current year financial statements.

SAB 108 describes two approaches, generally referred to as "rollover" and "iron curtain," that have been commonly used to accumulate and quantify misstatements. The rollover approach "quantifies a misstatement based on the amount of the error originating in the current year income statement," which "ignores the 'carryover effects' of prior year misstatements." In contrast, the "iron curtain approach quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origination." Because each of these approaches has its weaknesses, SAB 108 advises that the impact of correcting all misstatements on current year financial statements should be accomplished by quantifying an error under both the rollover and iron curtain approaches and by evaluating the error measured under each approach. When either approach results in a misstatement that is material, after considering all relevant quantitative and qualitative factors, an adjustment to the financial statements would be required. Guidance on the consideration of all relevant factors when assessing the materiality of misstatements is provided in the SEC's Staff Accounting Bulletin No. 99, *Materiality* (SAB 99), which has been codified as Topic 1.M. in the Codification of Staff Accounting Bulletins (http://www.sec.gov/interps/account/sab99.htm).

Because of prior year misstatements, SAB 108 observes that when the correction of an error in the current year would materially misstate the current year's financial statements, the prior year financial statements should be corrected. However, SAB 108 provides transition guidance under which financial statements for fiscal years ending on or before November 15, 2006, need not be restated "if management properly applied its previous approach, either iron curtain or rollover," and considered all relevant qualitative factors when assessing materiality. In this situation, the effects of initially applying SAB 108 should be reported in the annual financial statements covering the first fiscal year ending after November 15, 2006. This would be accomplished by reporting the cumulative effect of the initial application of SAB 108 in the carrying amounts of assets and liabilities as of the beginning of the fiscal year, and making an offsetting adjustment to the opening balance of retained earnings for that year.

For regulatory reporting purposes, a bank holding company that is a public company or a subsidiary of a public company should apply the guidance from SAB 108 and SAB 99 when quantifying the impact of correcting misstatements, including both the carryover and reversing effects of prior year misstatements, on their current year regulatory reports. In this regard, such a bank holding company may also apply the transition guidance in SAB 108 for regulatory reporting purposes. In contrast, a bank holding company that is not a public company or a subsidiary of a public company may, but is not required to, apply the SAB 108 guidance for regulatory reporting purposes. The FASB has added a project to its agenda to address the quantification of misstatements and the FASB staff is currently drafting guidance similar to the SEC's that would be applicable to nonpublic companies. A nonpublic bank holding company that does not choose to adopt SAB 108 will be expected to apply the FASB's guidance on quantifying misstatements for regulatory reporting purposes once it is issued and takes effect.

Public bank holding companies with calendar year fiscal years (and with November 30 fiscal years) should first apply the SAB 108 error quantification guidance in their regulatory reports for December 31, 2006. Public bank holding companies with other fiscal years should first apply SAB 108 in their regulatory reports for the calendar quarter in 2007 that includes their fiscal year-end date, but such bank holding companies may adopt the SAB 108 guidance in their December 31, 2006, regulatory reports. Nonpublic bank holding companies that choose to adopt SAB 108 should apply this guidance in a similar manner. For FR Y-9C reports, the cumulative effect of the initial application of SAB 108 on the opening balance of retained earnings as of the beginning of the fiscal year of initial application should be reported in Schedule HI-A, item 2, "Restatements due to corrections of material accounting errors and changes in accounting principles," and each error correction may be separately described in the Notes to the Income Statement—Other.

**FASB Interpretation No. 48 on Uncertain Tax Positions**

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in June 2006 as an interpretation of FASB Statement No. 109, *Accounting for Income Taxes.* Under FIN 48, the term "tax position" refers to "a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities." FIN 48 further states that a "tax position can result in a permanent reduction of income taxes payable, a deferral of income taxes otherwise currently payable to future years, or a change in the expected realizability of deferred tax assets."

According to FIN 48, a bank holding company should initially recognize the effects of a tax position in its financial statements when, based on the technical merits, it is more likely than not (i.e., a likelihood of more than 50 percent) that the position will be sustained upon examination by the taxing authority, including the resolution of any related appeals or litigation. The more-likely-than-not evaluation must consider the facts, circumstances, and information available at the report date. When a tax position meets the more-likely-than-not recognition threshold, it should initially and subsequently be measured as the largest amount of tax benefit greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. FIN 48 also provides guidance on subsequent recognition, derecognition, and measurement of tax positions, including the effect of changes in judgment, and on the recognition of interest and penalties.

Bank holding companies must adopt FIN 48 for regulatory reporting purposes for fiscal years beginning after December 15, 2006. FIN 48 permits earlier adoption as of the beginning of an earlier fiscal year, provided the bank holding company has not yet issued a financial statement or filed a regulatory report for any period of that fiscal year. Because FIN 48 was issued in June 2006, i.e., after the filing of the March 31, 2006, FR Y-9C or FR Y-9LP reports, a bank holding company with a calendar year fiscal year may not adopt FIN 48 early and must begin to apply this interpretation as of January 1, 2007.

**FASB Statement No. 156 on Servicing**

FASB Statement No. 156, *Accounting for Servicing of Financial Assets* (FAS 156), issued in March 2006, requires all separately recognized servicing assets and liabilities to be initially measured at fair value. It then permits an entity to choose to subsequently measure each class of servicing assets and liabilities at fair value with changes in fair value recognized in earnings. If fair value is not elected, each class of servicing is subsequently accounted for using the amortization method that applied to all servicing assets and liabilities prior to the issuance of FAS 156. An entity identifies its classes of servicing assets and liabilities based on the availability of market inputs for estimating their fair value, its method for managing the risks of its servicing assets and liabilities, or both. An entity's election of the fair value option for a class of servicing is irreversible. The election can be made for an individual class of servicing assets and liabilities upon adoption of FAS 156 or at the beginning of any subsequent fiscal year.

Bank holding companies must adopt FAS 156 for FR Y-9 series reporting purposes as of the beginning of their first fiscal year that begins after September 15, 2006. Earlier adoption of FAS 156 is permitted as of the beginning of an earlier fiscal year, provided the bank holding company has not yet issued a financial statement or filed a FR Y-9 report for any period of that fiscal year. Thus, a bank holding company with a calendar year fiscal year must adopt FAS 156 as of January 1, 2007, unless it elected earlier adoption and applied FAS 156 in its originally filed March 31, 2006, FR Y-9C/FR Y-9LP, or its June 30, 2006, FR Y-9SP.

When reporting the carrying amount of mortgage servicing assets (FR Y-9C: Schedule HC-M, item 12.a; FR Y-9LP: Schedule PC, item 7.b; FR Y-9SP: included in Schedule SC, item 7) and nonmortgage servicing assets in FR Y-9C Schedule HC-M, item 12.b, bank holding companies should include all classes of servicing accounted for under the amortization method as well as all classes of servicing accounted for at fair value. The fair value of all recognized mortgage servicing assets should be reported in FR Y-9C Schedule HC-M, item 12.a.(1), regardless of the measurement method applied to these assets. The servicing asset carrying amounts reported in Schedule HC-M, items 12.a and 12.b, even if these amounts include fair values, should be used when determining the lesser of 90 percent of the fair value of these assets and 100 percent of their carrying amount for regulatory capital calculation purposes in Schedule HC-R. Changes in the fair value of any class of servicing assets to which the fair value option is applied should be included in earnings in Schedule HI, item 5.f, "Net servicing fees."

**FASB Statement No. 155 on Hybrid Financial Instruments**

FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (FAS 155), issued in February 2006, requires bifurcation of certain derivatives embedded in interests in securitized financial assets and permits fair value measurement (i.e., a fair value option) for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation under paragraphs 12 and 13 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). Bifurcation is required when the economic characteristics and risks of the embedded derivative are not clearly and closely related economically to the economic characteristics and risks of the host contract and certain other conditions are met. Under the fair value option in FAS 155, a bank holding company may irrevocably elect to initially and subsequently measure an eligible hybrid financial instrument in its entirety at fair value, with changes in fair value recognized in earnings, rather than bifurcating the instrument and accounting for the embedded derivative separately from the host contract. The election can be made on an instrument-by-instrument basis, but must be supported by appropriate documentation. In addition, FAS 155 clarifies which interest-only and principal-only strips are not subject to FAS 133. For further information on embedded derivatives and FAS 133, refer to the Glossary entry for "Derivative Contracts" in the Y-9C Instructions.

For FR Y-9 series reporting purposes, FAS 155 must be applied to all financial instruments acquired, issued, or subject to a remeasurement event (as defined in the standard) occurring after the beginning of a bank holding company's first fiscal year that begins after September 15, 2006. The fair value option may also be applied upon adoption of FAS 155 to a bank holding company's existing hybrid financial instruments that had been bifurcated prior to adoption. Earlier adoption of FAS 155 is permitted as of the beginning of an earlier fiscal year, provided the bank holding company has not yet issued a financial statement or filed a FR Y-9 series report for any period of that fiscal year. Thus, a bank holding company with a calendar year fiscal year must adopt FAS 155 as of January 1, 2007, unless it elected earlier adoption and applied FAS 155 in its originally filed March 31, 2006, FR Y-9C/FR Y-9LP report, or in its originally filed June 30, 2006, FR Y-9SP report.

Following a bank holding company's adoption of FAS 155, hybrid financial instruments to which the fair value option has been applied should not be reclassified as trading assets or trading liabilities for reporting parent-only financial statement purposes (FR Y-9LP, FR Y-9SP) solely due to the election of this option. Such hybrid financial instruments should continue to be reported in the asset or liability category appropriate to the instrument. If a hybrid financial instrument to which the fair value option has been applied is an available-for-sale security, it should be included in available-for-sale securities on the balance sheet (FR Y-9LP: Schedule PC, item 2; FR Y-9SP: Schedule SC, item 2) and the security's fair value should be reported in (FR Y-9LP: Schedule PC-B, item 11.a; FR Y-9SP: Schedule SC-M, item 7.a.). Changes in the fair value of hybrid financial instruments to which the fair value option is applied should be aggregated and reported in each FR Y-9 report consistently in the income statement either as "Other noninterest income" (FR Y-9C: Schedule HI, item 5.l; FR Y-9LP: Schedule PI, item 1.e; FR Y-9SP: Schedule SI, item 4). If the amount exceeds the disclosure threshold on the FR Y-9C, it should be separately identified in Schedule HI, memorandum item 6.i.

The Federal Reserve is considering the regulatory capital implications of FAS 155, and more broadly, the use of the fair value option. Except as discussed below, changes in the fair value of hybrid instruments that are recognized in earnings should be reflected in Tier 1 capital, pending further guidance from the Federal Reserve. In the interim, for a hybrid financial instrument **to which the fair value option is applied** that is an asset, the embedded derivative should not be bifurcated from the host contract for risk-based capital purposes in Schedule HC-R. For a hybrid financial instrument for which the embedded derivative is bifurcated, a bank holding company should treat the host contract and the embedded derivative separately for risk-based capital purposes. For a hybrid financial instrument to which the fair value option is applied that is a liability, a bank holding company should exclude the portion of the change in the fair value of the instrument that is attributable to a change in the bank's own creditworthiness from Tier 1 capital. For regulatory capital purposes, this excluded portion of the change in fair value is, in essence, an adjustment to the bank holding company's reported retained earnings and should be reported in Schedule HC-R, item 7.b, so that it is taken into account in determining the Tier 1 capital subtotal (reported in Schedule HC-R, item 8) that is used to determine the regulatory capital limits on such items as servicing assets, deferred tax assets, and credit-enhancing interest-only strips.

**FASB Statement No. 123 (Revised 2004) and Share-Based Payments**

Bank holding companies should continue to follow the guidance on accounting for share-based payments under FASB Statement No. 123 (Revised 2004), *Share-Based Payment* (FAS 123(R)), that was included in the FR Y-9C Supplemental Instructions for December 31, 2006. These instructions can be accessed via the Federal Reserve's Web site (www.federalreserve.gov/boarddocs/reportforms/supplemental/SI_FRY9_200612.pdf).

**Tobacco Transition Payment Program**

Bank holding companies should continue to follow guidance on the tobacco buyout program included in the FR Y-9C Supplemental Instructions for June 30, 2006, which can be accessed via the Federal Reserve's Web site (www.federalreserve.gov/boarddocs/reportforms/supplemental/SI.FRY9.200606.pdf).

**FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities***

Bank holding companies should continue to follow the guidance provided on this subject in the FR Y-9C Supplemental Instructions provided for December 31, 2005. These Supplemental Instructions can be accessed via the Federal Reserve's Web site (www.federalreserve.gov/boarddocs/reportforms/supplemental.cfm?WhichFormID=FR_Y-9C).

**Reporting of Trust Preferred Securities**

Bank holding companies should continue to follow the guidance provided on this subject in the FR Y-9C Supplemental Instructions provided for December 31, 2005. These Supplemental Instructions can be accessed via the Federal Reserve's Web site (www.federalreserve.gov/boarddocs/reportforms/supplemental.cfm?WhichFormID=FR_Y-9C).

## Commitments to Originate and Sell Mortgage Loans

Bank holding companies should continue to follow the guidance provided on this subject in the FR Y-9C Supplemental Instructions provided for December 31, 2005. These Supplemental Instructions can be accessed via the Federal Reserve's Web site (www.federalreserve.gov/boarddocs/reportforms/supplemental.cfm?WhichFormID=FR_Y-9C).

## Listing of Revisions

**<u>Revisions to the FR Y-9C for March 2007:</u>**

<u>Report Form and Corresponding Instructions</u>

(1) *Cover page.* Updated reporting date to March 31, 2007.

(2) *Schedule HI, items 5.d.(1) through 5.d.(5).* Replaced old item 5.d with new items for (1) fees and commissions from securities brokerage, (2) investment banking, advisory, and underwriting fees and commissions, and (3) fees and commissions from annuity sales; renumbered old items 5.h.(1) and 5.h.(2) as new items 5.d.(4) and 5.d.(5) and modified title of old item 5.h.(2).

(3) *Schedule HI, memorandum item 6.i.* Added preprinted caption for "Net change in the fair values of financial instruments accounted for under a fair value option."

(4) *Schedule HI, memorandum item 9.e.* Added new item for trading revenue from credit exposures.

(5) *Schedule HI, memoranda items 10.a and 10.b.* Added new items for net gains (losses) on credit derivatives (1) held for trading, and (2) held for purposes other than trading.

(6) *Schedule HI, memorandum item 16.* Added item for "Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties."

(7) *Schedule HI-B, Part I, items 8.a and 8.b.* Replaced old two-way breakout of lease financing receivables (1) to U.S. addressees and (2) to non-U.S. addressees with a new two-way breakout of (1) leases to individuals for household, family, and other personal expenditures and (2) all other leases.

(8) *Schedule HI-B, Part I, memoranda items 4.a and 4.b.* Added new items to collect information on charge-offs and recoveries of (1) 1-4 family residential construction loans, and (2) other construction loans and all land development and other land loans.

(9) *Schedule HI-B, Part I, memoranda items 5.a and 5.b.* Added new items to collect information on charge-offs and recoveries of (1) loans secured by owner-occupied nonfarm nonresidential properties, and (2) loans secured by other nonfarm nonresidential properties.

(10) *Schedule HC-C, items 10.a and 10.b.* Replaced old two-way breakout of lease financing receivables (1) to U.S. addressees and (2) to non-U.S. addressees with a new two-way breakout of (1) leases to individuals for household, family, and other personal expenditures and (2) all other leases.

(11) *Schedule HC-C, memoranda items 6.a, 6.b, and 6.c.* Added new items for (1) total carrying amount of closed-end loans with negative amortization features secured by 1-4 family residential properties, (2) total maximum remaining amount of negative amortization contractually permitted on closed-end loans secured by 1-4 family residential properties, and (3) total amount of negative amortization on closed-end loans secured by 1-4 family residential properties.

(12) *Schedule HC-C, memoranda items 7.a and 7.b.* Added new items for (1) 1-4 family residential construction loans, and (2) other construction loans and all land development and other land loans.

(13) *Schedule HC-C, memoranda items 8.a and 8.b.* Added new items for (1) loans secured by owner-occupied nonfarm nonresidential properties, and (2) loans secured by other

nonfarm nonresidential properties.

(14) *Schedule HC-L, items 1.c.(1)(a) and 1.c.(1)(b).* Added new items for (1) 1-4 family residential construction loans commitments, and (2) commercial real estate, other construction loan, and land development loan commitments.

(15) *Schedule HC-N, items 8.a and 8.b.* Replaced old two-way breakout of lease financing receivables (1) to U.S. addressees and (2) to non-U.S. addressees with a new two-way breakout of (1) leases to individuals for household, family, and other personal expenditures and (2) all other leases.

(16) *Schedule HC-N, memoranda items 9.a and 9.b.* Added new items to collect past due and nonaccrual information on (1) 1-4 family residential construction loans, and (2) other construction loans and all land development and other land loans.

(17) *Schedule HC-N, memoranda items 10.a and 10.b.* Added new items to collect past due and nonaccrual information on (1) loans secured by owner-occupied nonfarm nonresidential properties, and (2) loans secured by other nonfarm nonresidential properties.

(18) *Schedule HC-P, item 5.* Added a new item for "Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans."

(19) *Schedule HC-Q.* Added a new schedule to collect information on financial assets and liabilities measured at fair value. Items include (1) loans and leases, (2) trading assets, (2.a) nontrading securities at fair value with changes in fair value reported in current earnings, (3) all other financial assets and servicing assets, (4) deposits, (5) trading liabilities, (6) all other financial liabilities and servicing liabilities, and (7) loan commitments not accounted for as derivatives; with breakouts by total fair value, level 2 fair value measurements, and level 3 fair value measurements.

(20) *Schedule HC-R, item 7.b.* Added a new item for the cumulative change in fair value of all financial liabilities accounted for under a fair value option that is included in retained earnings and is attributable to changes in the bank holding company's own creditworthiness. Renumbered old item 7 as new item 7.a.

<u>Instructions</u>

(1) *Schedule HI, General Instructions and items 1.a, 1.c, 1.f, 2.a, 2.b, 2.c, 2.d, 5.f, 5.l, and 7.d.* Clarified reporting treatment of measurement under a fair value option.

(2) *Schedule HC-E, items 1.d, 1.e, 2.d, 2.e, and memoranda items 1 and 2.* Revised reporting treatment of certain brokered deposits.

(3) *Schedule HC-L, item 1.* Clarified reporting treatment of the unused portions of revolving asset-based lending commitments.

(4) *Schedule HC-S, memorandum item 2.* Clarified instruction to include participations serviced by others.

(5) *Glossary, entry for Brokered Retail Deposits.* Inserted discussion of broker retailed deposits issued in $1,000 amounts under a master certificate of deposit, and of certain brokered deposits that are transaction accounts or money market deposit accounts that are denominated in amounts of $0.01.

(6) *Glossary, entry for Fair Value.* New entry describing fair value measurement.

**Revisions to the FR Y-9LP for March 2007:**

Report Form

*Cover page.* Updated reporting date to March 31, 2007.

**Revisions to the FR Y-11 for March 2007:**

Report Form and Corresponding Instructions

(1) *Cover page.* Revised the reporting date to March 31, 2007.
(2) *Schedule IS, memorandum item 1.* Added a new memorandum item, "Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties."
(3) *Schedule BS-A, memoranda items 1.a, 1.b, and 1.c.* Added three new memoranda items on closed-end loans with negative amortization features secured by 1-4 family residential properties.

Instructions

(1) *General Instructions.* Clarified the quarterly filing requirements and deleted a related frequency of reporting instruction that is no longer applicable.
(2) *General Instructions.* Clarified the definition of related organizations.
(3) *Schedule IS, item 1.b. and item 11.* Clarified the instructions to item 1.b., "Interest and fee income from related organizations," and item 11, "Equity in undistributed income (loss) of subsidiary(s)," to indicate that dividends paid by subsidiaries should be reported in item 1.b.
(4) *Schedule IS, items 5.a.(4) and 5.a (8).* Modified the instructions to change the reporting of income from certain sales of annuities from item 5.a.(8), "Insurance commissions and fees," to item 5.a.(4), "Investment banking, advisory, brokerage, and underwriting fees and commissions."
(5) *Schedule BS, items 7 and item 9.* Clarified that the subsidiary's investment in all subsidiaries and associated companies less any dividends paid or declared, should be reported in item 9, "Balances due from related institutions, gross" and not in item 7, "All other assets."

## SUMMARY OF EDIT CHANGES EFFECTIVE FOR MARCH 31, 2007, FR Y-9C, FR Y-9LP and FR Y-9SP CHECKLISTS

### FR Y-9C
### (Validity - V, Quality - Q, Intraseries - I)

**New Edits:**

Validity: 1274, 1276, 1277, 1278, 1300, 1550, 1555, 1560, 1565, 2465, 2470, 2472, 2479, 2481, 2482, 2483, 2489, 2491, 2492, 2493, 2509, 2511, 2512, 2513, 2524, 2526, 2527, 2528, 2775, 3206, 3478, 3479, 3480, 3481, 3482, 3483

Quality: 0052, 0054, 0055, 0056, 0057, 0058, 0059, 0060, 0063, 0064, 5425, 5570, 5973, 5974, 6022, 6024, 6025, 6028, 6029, 6047, 6663, 6664, 6666, 6916, 6919, 6921, 6977, 7134,
9090(bhckc886, bhckc888, bhckc887),
9200(bhckf229, bhckc889, bhckc890),
9206(bhckf228),
9260(bhckf185, bhckf187, bhckc880, bhckf188),
9280(bhckc891, bhckc892, bhckc893, bhckc894, bhckc895, bhckc896, bhckc897, bhckc898),
9406(bhckf162, bhckf163),
9420(bhckf230),
9421(bhckf231, bhckf232),
9422(bhckf158, bhckf159, bhckf160, bhckf161),
9480(bhckf164, bhckf165),
9520(bhckf166, bhckf167, bhckf168, bhckf169, bhckf170, bhckf171),
9540(bhckf172, bhckf173, bhckf174, bhckf175, bhckf176, bhckf177, bhckf178, bhckf179, bhckf180, bhckf181, bhckf182, bhckf183),
9550(bhckf184)

Intraseries: 0001, 0002, 0003, 0004 0005, 0006, 0007, 0008, 0009, 0010, 0011, 0012, 0013, 0014, 0015, 0016, 0017, 0018, 0019, 0020, 0021, 0022, 0023, 0024, 0025, 0026, 0027, 0028, 0029, 0030, 0031, 0032, 0033, 0034, 0035, 0036, 0037, 0038, 0039, 0040, 0041, 0042, 0043, 0044, 0045, 0046, 0047, 0048, 0049, 0050, 0051, 0053, 0061, 0062, 5139, 5141, 5142, 5143, 5144, 5145, 5146, 5147, 5148, 5149, 5150, 5151, 5152, 5153, 5154, 5155, 5156, 5157, 5158, 5159, 5160, 5161, 5162, 5163, 5164, 5166, 5167, 5168, 5169, 5276, 5297, 5379, 5421, 6755, 6759

**Revised Edits (if renumbered, old edit # is in parentheses):**

Validity: 1110, 1600, 1620, 2360, 2370, 3076, 3078, 3205, 3230, 3240, 3255, 3270, 3280, 3290, 3360, 3370, 3380, 3445, 3455, 3460, 3465, 3470, 3475, 3510, 3650

Quality: 5131, 5132, 5133, 5134, 5135, 5273, 5275, 5390, 6176, 6180, 6181, 6185, 6188, 6191, 6195, 6380, 6383, 6385, 6390, 6395, 6400, 6405, 6408, 6410, 6415, 6420, 6423, 6425, 6428, 6430, 6435, 6545, 6660, 6778, 6780, 6920, 9100(bhckc386, bhckc387),
9550(bhckb590)

Intraseries: 5137, 5371, 6652, 6655, 6754, 6760, 6762, 6763, 6764, 6766, 6767, 6768, 6769, 6960

**Deleted Edits:**

Validity: 1275, 2480, 2490, 2510, 2525

Quality: 7590,
9090(bhckb490),
9260(bhck4658, bhck4668, bhck4659, bhck4669), 9406(bhck2182, bhck2183)

Intraseries: 5140, 5540, 5545

**Renumbered Edits:**
Quality EDCK 5165 was renumbered to Quality EDCK 5212
Quality EDCK 5175 was renumbered to Quality EDCK 5214
Quality EDCK 5185 was renumbered to Quality EDCK 5216
Quality EDCK 5195 was renumbered to Quality EDCK 5218

## FR Y-9LP
## (Validity - V, Quality - Q, Intraseries - I)

**Deleted Edits:**
Quality: 0990