Board of Governors of the Federal Reserve System

Supplemental Instructions   September 2004

Editing of Data by Respondents

On December 15, 2003, the Federal Reserve announced in the *Federal Register* proposed changes to the FR Y-9 series that will require validation checks to be performed by respondents as part of the electronic submission process. ***This change will be implemented as of September 30, 2004, for the FR Y-9C and FR Y-9LP reports*** and will be implemented as of December 31, 2004, for the FR Y-9SP and FR Y-9ES reports. This new process will require that your bank holding company (BHC) perform published validity and quality checks on your 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 effective as of September 30, 2004, are provided at the end of the reporting instructions for the FR Y-9C and FR Y-9LP, and validity and quality edits effective as of December 31, 2004, are provided at the end of the reporting instructions for the FR Y-9SP and FR Y-9ES. Although this change has similarities to the Call Report Modernization Initiative, this effort is separate and distinct from that initiative, and it has different technical requirements.

Currently, after the Federal Reserve receives a BHC report, it is subjected to validation checks to assess the accuracy and reasonableness of the data submitted. If this validation process identifies any edit exceptions in a BHC's report, a Federal Reserve analyst may contact the BHC and ask for clarification of the data associated with these edit exceptions. The BHC must then provide revised data or explanatory comments concerning edit exceptions.

Under the new system, 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 will then be expected to correct its report data to eliminate any validity edit exceptions. The BHC will also be provided a method for supplying explanatory comments concerning quality edit exceptions. These explanatory comments will be held confidential. Your BHC's report must be free of any validity edit failures and include any explanations of quality edit failures at the filing deadline. Reports that contain validity edit failures or have quality edit failures that are not explained on or before the filing deadline may be deemed late, on a case by case basis depending on the facts and circumstances giving rise to the late filing. The Federal Reserve expects BHCs to apply the enhanced process on a best efforts and "good faith" basis.

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 also choose to incorporate validity and quality edit checks into their software. The Federal Reserve provided technical specifications to software vendors in May 2004.

Overall these changes are expected to reduce the number of inquiries you receive from the Federal Reserve Bank analysts and improve the timeliness and quality of BHC data. As additional information becomes available, we will forward it to your holding company. The

Federal Reserve will continue to provide updates as warranted about the enhanced IESUB submission process 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).

Accelerated Filing Deadline

The Board approved the acceleration of the filing deadline for ***top-tier*** FR Y-9C filers and followed the SEC's phased-in approach by implementing a 40-day deadline in June 2004. 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 40-day deadline for filing the September 30, 2004, report is November 9, 2004.

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.

FASB Interpretation No. 46

The FASB issued Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*, in December 2003. Revised interpretation No. 46 replaces interpretation No. 46, which was issued 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, bank holding companies with variable interests in variable interest entities must apply the provisions of Interpretation No. 46 (Revised) to those entities in accordance with the interpretation's effective date and transition provisions, a summary of which follows. Special provisions of the revised interpretation apply to organizations that have fully or partially applied Interpretation No. 46 prior to the issuance of the revision. Otherwise, application of the revised interpretation (or Interpretation No. 46) was required of bank holding companies that are public companies, or subsidiaries of public companies, that have interests in variable interest entities or potential variable interest entities commonly referred to as special-

purpose entities beginning December 31, 2003. Application of Interpretation No. 46 (Revised) by bank holding companies that are public companies (other than small business issuers), or subsidiaries of such public companies, for all other types of variable interest entities was required beginning March 31, 2004. Application of Interpretation No. 46 (Revised) by bank holding companies that are small business issuers, or subsidiaries of small business issuers, to variable interest entities other than special-purpose entities is required beginning December 31, 2004. Application of Interpretation No. 46 (Revised) by bank holding companies that are neither public companies nor subsidiaries of public companies is required immediately for variable interest entities created after December 31, 2003, and for all other variable interest entities at the beginning of the first fiscal year beginning after December 15, 2004 (January 1, 2005, for calendar year bank holding companies).

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.

Reporting of Trust Preferred Securities

The Federal Reserve modified the definition of Schedule HC, Balance Sheet, item 20, "Other liabilities," and Schedule HC-G, Other Liabilities, item 4," Other," to include information on trust preferred securities. This information will no longer be included in Schedule HC, item 22, "Minority interest in consolidated subsidiaries and similar items." BHCs are advised that this reporting change does not represent any change to the risk-based capital treatment for trust preferred securities. Consistent with guidance previously provided in Federal Reserve Supervisory Letter SR 03-13 of July 2, 2003, BHCs should continue to include the allowable amount of eligible trust preferred securities in their tier 1 capital for regulatory capital purposes until further notice. The amounts in tier 1 capital should be reported in Schedule HC-R, Regulatory Capital, new item 6(b), "Qualifying trust preferred securities," in accordance with the reporting instructions. Current Schedule HC-R, item 6, "Qualifying minority interests in consolidated subsidiaries" has been renumbered as item 6.a.

Bank holding companies are encouraged to consult with their external auditor on the appropriate application of generally accepted accounting principles (GAAP), including FIN 46 and revised FIN 46 (FIN 46R), on the consolidation or deconsolidation of trusts issuing trust preferred stock for financial statements and regulatory reporting. Consistent with their GAAP determination and SR 03-13, bank holding companies that deconsolidate such trusts for financial reporting purposes should include the full amount of the deeply subordinated note issued to the trust in Schedule HC, Balance Sheet, item 20, "Other liabilities," and Schedule HC-G, Other Liabilities, item 4," Other," and the bank holding company's investment in the special purpose subsidiary should be reported in Schedule HC, item 8, "Investments in unconsolidated subsidiaries and associated companies." The amount of the subordinated note issued to the trust, net of the bank holding company's investment in the special purpose subsidiary, is equivalent to the amount of the trust preferred securities issued. The net amount (that is allowed in tier 1 capital) should be reported in new item 6.b and in memoranda item 3.d, "Other cumulative preferred stock eligible for inclusion in Tier 1 capital" (before application of limits). Note that amounts reported in item

6.b may differ from amounts reported in memoranda item 3.d, because the amount reported in 6.b is subject to limits. Amounts of trust preferred securities (or notes payable to unconsolidated special purpose entities that issue trust preferred securities, net of the BHC's investment in the entity) that are in excess of the limits for cumulative preferred stock that can be included in Tier 1 capital, should be reported in item 16, "Other Tier 2 capital components."

The investment in unconsolidated subsidiaries that issue trust preferred securities should not be risk weighted for risk based capital purposes. This would apply to special purpose entities issuing trust preferred securities that are not consolidated by BHCs under FIN 46. The amount of the investment in unconsolidated subsidiaries that issue trust preferred securities should be reported in column B of Schedule HC-R, line item 42. The instructions state that, for purposes of determining the amount available for Tier 1, the amount of trust preferred securities that has been reported in "other liabilities" for special purpose entities that have not been consolidated should be netted against the amount of the investment in the unconsolidated subsidiary that issued the trust preferred securities. Therefore, if the investment is netted for determining Tier 1 treatment, a consistent application is to exclude the investment from risk-weighted assets.

Bank holding companies that file the FR Y-11 should continue to report special purpose entities issuing trust preferred securities that qualify as a subsidiary as defined by Regulation Y and in the FR Y-11 reporting instructions, regardless of whether the entity is consolidated on the FR Y-9C report. Bank holding companies that file the FR Y-9LP should continue to report any notes payable to special-purpose subsidiaries that issue trust preferred securities in Schedule PC-B, item 16 (and included in Schedule PC, item 18(b) and Schedule PC-B, item 5(b)). However, for purposes of reporting information on nonbank subsidiaries in Schedule PC, item 15, the term "subsidiary" is inclusive of only companies that have been consolidated in the FR Y-9C. Therefore, if the bank holding company has deconsolidated the special purpose entity issuing trust preferred securities, the entity would not be reflected in this item.

EITF Issue No. 03-1 on Other-Than-Temporary Impairment

In March 2004, the FASB ratified the consensus reached by its Emerging Issues Task Force (EITF) on EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The EITF's consensus applies to debt and equity securities accounted for under FASB Statement No. 115, i.e., held-to-maturity securities and available-for-sale securities, and to equity securities that do not have readily determinable fair values that are accounted for at cost. The consensus establishes a three-step process for determining when an investment is impaired, whether that impairment is other than temporary, and how to measure the impairment loss if the impairment is deemed to be other than temporary. This process is to be applied to individual securities. An individual security is considered impaired if its fair value is less than its cost. If, upon evaluation, the impairment of an individual security is determined to be other than temporary (which does not mean permanent), an impairment loss must be recognized in earnings for the difference between the security's cost and its fair value.

Bank holding companies must follow the recognition and measurement guidance in EITF Issue No. 03-1, except for the provisions relating to interest rate impairments of debt securities that cannot contractually be prepaid or otherwise settled in such a way that the bank would not

recover substantially all of its cost, beginning with their FR Y-9C reports for September 30, 2004. The FASB is expected to finalize a proposal by September 30 to defer the effective date of these interest rate impairment provisions. The deferral would last until the effective date of additional proposed guidance from the FASB on the application of these interest rate impairment provisions.

AICPA Statement of Position 03-3 on Purchased Loans

In December 2003, the AICPA issued Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. In general, this Statement of Position applies to purchased impaired loans, i.e., loans that a banking organization has purchased, including those acquired in a purchase business combination, when there is evidence of deterioration of credit quality since the origination of the loan and it is probable, at the purchase date, that the banking organization will be unable to collect all contractually required payments receivable. The Statement of Position does not apply to the loans that a banking organization has originated.

Under this Statement of Position, a purchased impaired loan is initially recorded at its purchase price (in a purchase business combination, the present value of amounts to be received). The Statement of Position limits the yield that may be accreted on the loan (the accretable yield) to the excess of the banking organization's estimate of the undiscounted principal, interest, and other cash flows expected at acquisition to be collected on the loan over the banking organization's initial investment in the loan. The excess of contractually required cash flows over the cash flows expected to be collected on the loan, which is referred to as the nonaccretable difference, must not be recognized as an adjustment of yield, loss accrual, or valuation allowance. Neither the accretable yield nor the nonaccretable difference may be shown on the balance sheet. After acquisition, increases in the cash flows expected to be collected generally should be recognized prospectively as an adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as an impairment.

The Statement of Position prohibits a banking organization from "carrying over" or creating valuation allowances in the initial accounting for purchased impaired loans. This prohibition applies to the purchase of an individual impaired loan, a pool or group of impaired loans, and impaired loans acquired in a purchase business combination.

The Statement of Position applies to loans acquired in fiscal years beginning after December 15, 2004, with early adoption permitted. Bank holding companies must follow this Statement of Position for FR Y-9C reporting purposes in accordance with its effective date based on their fiscal years.

GNMA Mortgage Loan Optional Repurchase Program

Government National Mortgage Association (GNMA) mortgage-backed securities are backed by residential mortgage loans that are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veterans Affairs/Veterans Administration (VA), or the Farmers Home Administration (FmHA). GNMA programs allow financial institutions to buy back individual

delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100 percent of the remaining principal balance of the loan. Under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional.

When the loans backing a GNMA security are initially securitized, Statement No. 140 permits the issuer of the security to treat the transaction as a sale for accounting purposes because the conditional nature of the buy-back option means that the issuer does not maintain effective control over the loans. The loans are removed from the issuer's balance sheet. When individual loans later meet GNMA's specified delinquency criteria and are eligible for repurchase, the issuer (provided the issuer is also the servicer) is deemed to have regained effective control over these loans and, under Statement No. 140, the loans can no longer be reported as sold. The delinquent GNMA loans must be brought back onto the issuer-servicer's books as assets and initially recorded at fair value, regardless of whether the issuer intends to exercise the buy-back option. An offsetting liability would also be recorded. Whether or not these rebooked delinquent loans are repurchased, the issuer-servicer should report them as loans on the FR Y-9C balance sheet (Schedule HC) and related schedules. These loans should be reported as held for sale (Schedule HC, item 4.a) or held for investment (Schedule HC, item 4.b), based on facts and circumstances, in accordance with generally accepted accounting principles. These loans should not be reported as "Other assets" (Schedule HC, item 11). The offsetting liability should be reported as "Other borrowed money" (Schedule HC, item 16).

For risk-based capital purposes, these rebooked loans should be risk-weighted in the same manner as all other FHA, VA, and FmHA loans, i.e., at 20 percent to the extent of the conditional guarantee. For leverage capital purposes, these rebooked loans should be included in the bank holding company's average total assets.

Accounting for Deferred Compensation Agreements, Including Indexed Retirement Plans

On February 11, 2004, the Federal Reserve issued supervisory letter SR-04 with an attached Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance. The agencies had found that many institutions were incorrectly accounting for their obligations under a type of deferred compensation agreement commonly referred to as a revenue neutral plan or an indexed retirement plan, the typical characteristics of which are described in the advisory. The benefits payable to employees under these plans generally are based on the performance of the bank-owned life insurance (BOLI) policies on these employees.

The agencies believe the guidance in the advisory on the appropriate accounting for deferred compensation agreements and BOLI is consistent with generally accepted accounting principles. The table below sets forth the appropriate reporting of BOLI in the FR Y-9C report.

Y-9C Item	Amount to Report
Schedule HC, Item 11, "Other assets," and Schedule HC-F, Item 5, "All other assets"	Include the amount that could be realized under BOLI policies as of the report date.
Schedule HC-F, Item 5.a, "Cash surrender value of life insurance"	Include the amount that could be realized under BOLI policies as of the report date if such amount exceeds 25% of the total of "All other assets" reported in Schedule HC-F, Item 5.
Schedule HI, Item 5.l, "Other noninterest income"	Include the net change in the cash surrender value of BOLI policies. [1]
Schedule HI-E, Memoranda item 6.b, "Earnings on/increase in value of cash surrender value of life insurance"	Include the net change in the cash surrender value of BOLI policies if such amount is greater than 1% of the sum of total interest income and total noninterest income.
Schedule HI, Item 7.d, "Other noninterest expense"	Include the BOLI expenses for policies in which the institution is the beneficiary.[2]
Schedule HI-E, Item 2.h, "Other noninterest expense"	Include the BOLI expenses for policies in which the institution is the beneficiary if such amount is greater than 1% of the sum of total interest income and total noninterest income.

The following table sets forth the appropriate reporting of deferred compensation agreements in the FR Y-9C report.

FR Y-9C Item	Amount to Report
Schedule HC, Item 20, "Other liabilities," and Schedule HC-G, Item 4, "All other liabilities"	Include the amount of deferred compensation liabilities.
Schedule HI, Item 7.a, "Salaries and employee benefits"	Include the annual compensation expense (service component and interest component) related to deferred compensation agreements.

[1] For the FR Y-9C, the net earnings (losses) on or the net increases (decreases) in the cash surrender value may be reported. Alternatively, the gross earnings (losses) on or increases (decreases) in value may be reported in Schedule HI, Item 5.l, and the BOLI policy expenses may be reported in Schedule HI, Item 7.d.

[2] Applicable for the FR Y-9C report only if institutions report the gross earnings (losses) on or increases (decreases) in the cash surrender value in FR Y-9C Schedule HI, Item 5.l.

In addition, the accounting and reporting guidance in the advisory has been incorporated into updates to the FR Y-9C reporting instructions. Refer to the Glossary entries for "Deferred Compensation Agreements" and "Bank-Owned Life Insurance" for further information.

Bank holding companies should review their accounting for deferred compensation agreements to ensure that their obligations to employees under these agreements have been properly measured and reported. As indicated in the interagency advisory, any necessary changes in a bank holding companies accounting for these agreements were to be reflected in its March 31, 2004, FR Y-9C. Unless amendments to prior FR Y-9C reports are required, corrections of material errors on prior years' earnings, net of applicable taxes, should be reported as an adjustment to the beginning balance of equity capital (i.e., as a prior period adjustment) in Schedule RI-A, item 2. The accounting and reporting guidance in the advisory has been incorporated into the June 2004 FR Y-9C reporting instructions.

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. Under Statement No. 149, loan commitments that relate to the origination of mortgage loans that will be held for sale, commonly referred to as interest rate lock commitments, must be accounted for as derivative instruments by the issuer of the commitment. Under a typical interest rate lock commitment, the borrower can choose to (1) "lock-in" the current market rate for a fixed-rate loan, i.e., a fixed interest rate lock commitment; (2) set the interest rate to adjust based upon a market index rate, i.e., an adjustable interest rate lock commitment; or (3) wait until a future date to set the interest rate and allow the interest rate to "float" with market interest rates until the rate is set, i.e., a floating interest rate lock commitment. In contrast, commitments to originate mortgage loans that will be held for investment purposes and commitments to originate other types of loans are not considered derivatives. In addition, 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*, should be applied to these commitments to determine whether they meet this definition and are subject to the provisions of Statement No. 133 (see page GL-19 of the Glossary section of the FR Y-9C instructions).

Because they are derivatives, interest rate lock commitments should not be reported as unused commitments in item 1 of Schedule HC-L, Derivative and Off-Balance Sheet Items. Instead, interest rate lock commitments must be reported on the balance sheet (Schedule HC) at fair value. Consistent with Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 105, in recognizing commitments to originate mortgage loans that will be held for sale that are entered into after March 31, 2004, a bank holding company may not consider the expected cash flows related to the associated servicing of the mortgage loan. Further, no other internally developed intangible assets should be recorded as part of the loan commitment derivative. This SEC Staff Accounting Bulletin can be accessed at www.sec.gov/interps/account/sab105.htm.

For FR Y-9C reporting purposes, interest rate lock commitments should be reported as over-the-

counter written interest rate options. The par value of the mortgage loans to be originated 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 interest rate lock commitments must be reported in the appropriate subitem of Schedule HC-L, item 14.b. As with written options, interest rate lock commitments are outside the scope of the credit conversion process that applies to derivatives under the Federal Reserve's risk-based capital standards. However, if the fair value of any of these commitments after initial recognition 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. If such unused commitments have an original maturity exceeding one year, they 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 Schedules HC-L, HC-R, and HC-S

An asset-backed commercial paper (ABCP) program is usually carried out through a bankruptcy-remote, special-purpose entity, which generally is sponsored and administered by a banking organization to provide funding to its corporate customers by purchasing asset pools from, or extending loans to, those customers. The program provides funding for these assets through the issuance of commercial paper into the market. Typically, the sponsoring organization provides liquidity and credit enhancements to earn a favorable external rating on the commercial paper issued by the ABCP program. Because these programs typically are sponsored by large banking organizations, the reporting and regulatory capital requirements applicable to these programs should have no impact on most small bank holding companies.

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

On July 28, the banking agencies issued a final rule amending their risk-based capital standards to make permanent an existing interim risk-based capital treatment for assets in ABCP conduits that sponsoring banking organizations are required to consolidate in accordance with Interpretation No. 46 (Revised). Under the final rule, sponsoring banking organizations are permitted to exclude the consolidated ABCP program assets from their risk-weighted asset bases when they calculate their risk-based capital ratios. The final rule also requires banking organizations to hold risk-based capital against eligible ABCP program liquidity facilities with an original maturity of one year or less that provide liquidity support to these programs by imposing a 10 percent credit conversion factor on such facilities effective September 30, 2004. Eligible liquidity facilities with an original maturity exceeding one year remain subject to the current 50 percent credit conversion factor. All liquidity facilities that provide liquidity support

to ABCP will be treated as eligible liquidity facilities until September 30, 2005. Beginning September 30, 2005, however, ineligible liquidity facilities (both short-term and long-term) will be treated as direct credit substitutes or recourse obligations and will be subject to a 100 percent credit conversion factor. For all liquidity facilities, the resulting credit equivalent amount is risk weighted according to the underlying assets, after consideration of any collateral, guarantees, or external ratings, if applicable. Bank holding companies involved with ABCP programs should refer to the final rule for complete information on the risk-based capital treatment of these programs.

In addition, any minority interests in consolidated ABCP programs are not eligible for inclusion in Tier 1 capital (or total risk-based capital). The final rule also does not alter the accounting rules for balance sheet consolidation under Interpretation No. 46 (Revised), 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.

Under the agencies' final rule, banking organization sponsors of any consolidated ABCP 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," unless the bank holding company has chosen to consolidate the ABCP program assets onto its balance sheet for risk-based capital purposes, as permitted under the final rule, and risk weights them accordingly. However, unless this consolidation option has been chosen, sponsoring banking organizations must continue to hold risk-based capital against all exposures arising in connection with these programs, whether or not the programs are consolidated for accounting purposes, including direct credit substitutes, recourse obligations, residual interests, and loans. These exposures should be reported in the appropriate items of Schedule HC-R. Furthermore, bank holding companies that provide eligible liquidity facilities to ABCP programs, whether or not they are the program sponsor, must report these facilities in the following manner in Schedule HC-R, item 53 (unless a sponsor has chosen the consolidation option). The full amount of the unused portion of an eligible liquidity facility with an original maturity exceeding one year should be reported in item 53, column A. For an eligible liquidity facility with an original maturity of one year or less, 20 percent of the unused portion of the facility should be reported in item 53, column A, to produce the effect of a 10 percent conversion factor when reporting the credit equivalent amount of the liquidity facility in item 53, column B. Finally, any minority interests in consolidated asset-backed commercial paper programs should not be included in Schedule HC-R, item 6.a, "Qualifying minority interests in consolidated subsidiaries and similar items."

For those ABCP programs that a bank holding company consolidates onto its FR Y-9C balance sheet, any credit enhancements and liquidity facilities the bank holding company provides to the conduit should not be reported in Schedule HC-L, Derivatives and Off-Balance Sheet Items. In contrast, for programs that are not consolidated, a bank holding company should report the credit enhancements and liquidity facilities it provides to the programs in the appropriate items of Schedule HC-L.

SUMMARY OF EDIT CHANGES EFFECTIVE FOR SEPTEMBER 30, 2004 FR Y-9C AND FR Y-9LP CHECKLISTS

FR Y-9C

Revised Edits:

Validity: 1275, 2480, 2490, 2510, 2525

Quality: 5240, 5260, 5261, 5262, 5263, 5264, 5265, 5280, 5281, 5282, 5283, 5284, 5285, 5300, 5301, 5302, 5303, 5304, 5305, 5620, 5621, 5622, 5623, 5624, 5625, 5626, 5627, 5628, 5629, 5630, 5631, 5632, 5633, 5634, 5635, 5636, 5637, 5638, 5639, 5640, 5641, 5642, 5643, 5644, 5645, 5646, 5647, 5648, 5649, 5650, 5651, 5652, 5653, 5654, 5655, 5656, 5657, 5658, 5659, 6183, 6206, 6208, 6210, 6212, 6216, 6218, 6224, 6227, 6251, 6253, 6271, 6273, 6281, 6283, 6288, 6290, 6315, 6330, 6331, 6332, 6333, 6334, 6335, 6336, 6337, 6455, 6660, 6665, 6690, 6705, 6720, 6780, 6880, 6885, 6890, 7272, 7600, 7601, 7602, 7603, 7604, 7605, 7606, 7607, 7608, 7609, 7610, 7611, 7612, 7613, 7614, 7615, 7616, 7617, 7618, 7619, 7620, 7621, 7622, 7623, 7624, 7625, 7626, 7627, 7628, 7629, 7630, 7631, 7632, 7633, 7634, 7635, 7636, 7637, 7638, 7639

Intraseries: 5250, 5450, 5727, 6206, 6208, 6210, 6212, 6216, 6218, 6224, 6227, 6245, 6251, 6253, 6271, 6273, 6281, 6283, 6288, 6290, 6295, 6316, 6317, 6963, 6980, 6990, 7270, 7273, 7275, 7340

Miscellaneous:

Schedule HI – footnote deleted from quality edit header
Schedule HC-R – footnote revised in validity and quality edit headers

FR Y-9LP

Revised Edits:

Quality: 1000, 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009

Interseries: 9015, 9189

Miscellaneous:

Schedule PI – footnote revised in quality header
Schedule PC – footnote revised in quality header