

# Board of Governors of the Federal Reserve System

## Supplemental Instructions

June 2006

### Editing of Data by Respondents

The Federal Reserve has made changes to the FR Y-9 series to require validation checks to be performed by respondents as part of the electronic submission process. These changes were implemented as of September 30, 2004, for the FR Y-9C and FR Y-9LP reports and implemented as of December 31, 2004, for the FR Y-9SP and FR Y-9ES reports. This new 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](http://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 FR Y-9C filers and followed the Securities and Exchange Commission's (SEC's) phased-in approach by implementing a 40-day deadline in June 2004. This filing deadline applies for the March, June, and September report dates. The SEC recently adopted a final rule that maintains the 40 day filing deadline for the 10Q report for June 30, 2006, and all subsequent quarters. Consistent with this rule change, the Federal Reserve will also maintain the 40-day filing deadline for FR Y-9C reports, and will not implement the 30 calendar days plus 5 business days filing deadline previously proposed to be effective with the June 30, 2006, reporting date. The December filing deadline for FR Y-9C filers will remain at 45 days after the report date.

The FR Y-9LP, FR Y-9SP, FR Y-9ES are not subject to the accelerated deadline. The deadline for these reports will remain at 45 days after the report date.

### 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 FASB Statement No. 133 (FAS 133) on derivatives. 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. 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 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 FR Y-9 reporting purposes 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 a security, it should be included in available-for-sale securities on the balance sheet (FR Y-9C: Schedule HC, item 2.b; 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-9C: columns C and D of Schedule HC-B, Securities; 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 reported consistently in the income statement either as "Other noninterest income" (FR Y-9C: Schedule HI, item 5.1; FR Y-9LP: Schedule PI, item 1.e; FR Y-9SP: Schedule SI, item 4) or "Other noninterest expense" (FR Y-9C: Schedule HI, item 7.d; FR Y-9LP: Schedule PI, item 2.d; FR Y-9SP: Schedule SI, item 7). The Federal Reserve is considering the regulatory capital implications of FAS 155, and more broadly, the use of the fair value option. 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 FR Y-9C Schedule HC-R. 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 holding company's own creditworthiness from Tier 1 capital in Schedule HC-R, item 10. Where the aggregate amounts are material, the Federal Reserve may consider whether the failure of the bank holding company to exclude this portion of the change in the liability's fair value from Tier 1 capital raises safety and soundness concerns.

### **Reporting Securities Borrowing and Lending Transactions on the Balance Sheet**

Bank holding companies are permitted to offset assets and liabilities in the FR Y-9C balance sheet (Schedule HC) when a "right of setoff" exists. FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*, defines "right of setoff" and specifies what conditions must be met to have that right. FASB Interpretation No. 41 modifies Interpretation No. 39 to permit offsetting in the balance sheet of payables and receivables that represent repurchase agreements and reverse repurchase agreements when the agreements meet specified conditions. According to the AICPA Audit and Accounting Guide for Depository and Lending Institutions, Interpretation No. 41 does not apply to securities borrowing or lending transactions. Therefore, for FR Y-9C purposes, bank holding companies should not offset securities borrowing and lending transactions in the balance sheet unless all the conditions set forth in Interpretation No. 39 are met.

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

FASB Statement No. 123 (Revised 2004), *Share-Based Payment* (FAS 123(R)), requires all

entities to recognize compensation expense in an amount equal to the fair value of share-based payments, e.g., stock options and restricted stock, granted to employees. Bank holding companies must adopt FAS 123(R) for FR Y-9C purposes in accordance with the standard's effective date and transition provisions. Public companies other than small business issuers, including bank holding companies that are subsidiaries of such public companies, must adopt FAS 123(R) as of the beginning of their first fiscal year beginning after June 15, 2005. All other companies, including small business issuers and bank holding companies that are not subsidiaries of public companies, must adopt FAS 123(R) as of the beginning of their first fiscal year beginning after December 15, 2005. Thus, all bank holding companies with a calendar year fiscal year must implement FAS 123(R) as of January 1, 2006.

Under FAS 123(R), the "compensation cost for an award of share-based employee compensation classified as equity shall be recognized over the requisite service period," which is typically the same as the vesting period, "with a corresponding credit to equity (generally, paid-in capital)." The recording of the compensation cost also gives rise to deferred tax consequences, i.e., a deferred tax asset, that must be recognized (and evaluated for realizability). For FR Y-9C purposes, the compensation expense should be included in Schedule HI, item 7.a., "Salaries and employee benefits," and reported in Schedule HI, memoranda item 15, "Stock-based employee compensation expense (net of tax effects) calculated for all awards under the fair value method," with the corresponding credit included in Schedule HC, item 25, "Surplus." Note that once FAS 123(R) is implemented, Schedule HI, memoranda item 14, "Stock-based employee compensation expense (net of tax effects)" need no longer be reported. In Schedule HI-A, Changes in Equity Capital, this credit should be included in item 5, "Sale of perpetual preferred stock," or in item 6, "Sale of common stock." This reporting treatment applies regardless of whether the shares awarded to the employee are shares of bank stock or shares of the bank's parent holding company.

### **Privatization of the Student Loan Marketing Association**

On December 29, 2004, the Student Loan Marketing Association (SLMA), a government-sponsored enterprise created in 1972, was dissolved. On that date, SLMA defeased its remaining debt obligations by transferring them into a special and irrevocable trust and depositing U.S. Treasury securities with the trustee in amounts sufficient to pay the principal of and interest on its debt obligations. For FR Y-9C purposes, bank holding companies should continue to report SLMA debt obligations held for purposes other than trading as securities issued by U.S. Government-sponsored agencies in Schedule HC-B, item 2.b. Similarly, SLMA debt obligations held for trading purposes (in domestic offices) should continue to be reported as U.S. Government agency obligations in Schedule HC-D, item 2. Bank holding companies should refer to the guidance in the Federal Reserve's risk-based capital standards on the treatment of collateralized claims to determine the appropriate risk weight for these SLMA debt securities.

SLM Corporation, the successor to SLMA, is a private-sector corporation that has issued debt securities, including commercial paper. Bank holding companies should report SLM Corporation debt securities held for purposes other than trading as "Other domestic debt securities" in Schedule HC-B, item 6.a. SLM Corporation debt securities held for trading purposes (in domestic offices) should be reported as "Other debt securities" in Schedule HC-D,

item 5. Bank holding companies should report holdings of securitized student loans issued by SLM Corporation (or its affiliates) as asset-backed securities in Schedule HC-B, item 5, unless held for trading purposes. Holdings of SLM Corporation common stock and preferred stock should be reported in Schedule HC-B, item 7, unless held for trading purposes. SLM Corporation debt securities, common stock, and preferred stock should be risk-weighted 100 percent. Its asset-backed securities should be risk-weighted in accordance with the ratings-based approach described on page HC-R-13 of the FR Y-9C instructions.

### **Agency Prepayment-Linked Notes**

In 2004, the Federal National Mortgage Associations (Fannie Mae) and the Federal Home Loan Banks began to issue a type of fixed rate debt securities known as prepayment-linked or index amortizing notes. Principal and interest on the notes are paid monthly, with the principal payments indexed to the prepayment performance of a reference pool of mortgages or a reference mortgage-backed security. However, the notes are not collateralized by the mortgages or mortgage-backed security and they have stated final maturity dates that are generally 5 to 12 years from the date of issuance.

Because these securities are direct unsecured obligations of the issuing government-sponsored agency, bank holding companies should report their holdings of these prepayment-linked notes in Schedule HC-B, item 2.b, if they are not held for trading purposes. In addition, these securities are considered structured notes because of their repayment characteristics and, if not held for trading purposes, must also be reported in Schedule HC-B, Memorandum item 4. For risk-based capital purposes, these agency prepayment-linked notes are a claim on a U.S. government-sponsored agency and should be assigned a 20 percent risk weight.

### **Tobacco Transition Payment Program**

The Fair and Equitable Tobacco Reform Act, commonly referred to as the "Tobacco Buyout," was enacted into law on October 22, 2004, as part of the American Jobs Creation Act of 2004. This Act established the Tobacco Transition Payment Program, which is administered by the U.S. Department of Agriculture (USDA). Under this program, the Commodity Credit Corporation (CCC) will make annual payments to eligible tobacco quota holders (i.e., landowners) and tobacco producers (i.e., farmers) beginning in 2005 and ending in 2014.

The CCC will not make a lump-sum payment to an individual quota holder or producer in lieu of annual payments. However, the statute and the rules implementing the tobacco buyout program permit a private party, such as a banking institution, to make a lump-sum payment to the quota holder or producer in return for the right to receive one or more of the annual payments to be made by the CCC under the buyout program. More specifically, a quota holder or producer can obtain a lump-sum payment from a banking institution or other party by executing an "assignment" of tobacco buyout payments or a "successor-in-interest" contract. Under both of these financing arrangements, the consideration paid to the quota holder or producer must be greater than or equal to the present value of the transferred annual payments discounted at the prime rate plus two percentage points rounded to the nearest whole number. Assignment contracts and successor-in-interest contracts become effective only upon the approval of the

CCC. The annual payments by the CCC will be made directly to the assignee or successor party.

However, any annual payments to be made to a banking institution or other party under an assignment contract will be reduced if the quota holder or producer owes any debt to an agency of the United States at any time over the life of the contract, thereby exposing the assignee to credit risk. On the other hand, on a successor-in-interest contract, a successor party obtains all rights to the transferred payments and the annual payments cannot be reduced for any debt owed by the quota holder or producer to an agency of the United States subsequent to the CCC's approval of the successor-in-interest contract. Nevertheless, the CCC will reduce any annual payments to the successor party if the successor owes any debt to an agency of the United States.

In addition, to be eligible to be the successor to a producer contract, a bank holding company or other party must have been in compliance with the wetlands and highly erodible land provisions of the USDA's regulations and with controlled substances statutes in 2002, 2003, and 2004.

Bank holding companies that enter into CCC-approved assignment contracts and successor-in-interest contracts and make lump-sum payments to tobacco quota holders or producers should report these financing arrangements as "Loans to finance agricultural production and other loans to farmers" in Schedule HC-C, item 3. The discount reflected in these lump-sum payments should be recognized as interest income over the life of the contract using the interest method. For risk-based capital purposes, assignment contracts should be risk weighted at 100 percent because of the potential exposure to payment reductions for any debt owed by the quota holder or producer to an agency of the United States as outlined above. Successor-in-interest contracts from both quota holders and producers are, in essence, unconditionally guaranteed by the U.S. Government and should be risk weighted at zero percent.

#### **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](http://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](http://www.federalreserve.gov/boarddocs/reportforms/supplemental.cfm?WhichFormID=FR_Y-9C)).

#### **Other-Than-Temporary Impairment of Securities and EITF Issue No. 03-1**

Under FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, an institution must determine whether an impairment of an individual available-for-sale or held-to-maturity security is other than temporary. An impairment occurs whenever the fair value of a security is less than its (amortized) cost basis. If an impairment is judged to be other than temporary, the cost basis of the individual security must be written down to fair value

through earnings, thereby establishing a new cost basis for the security.

In November 2005, the FASB issued FASB Staff Position Nos. FAS 115-1 and FAS 124-1 to address the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The guidance in this FASB Staff Position is to be applied 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 beginning in 2006. Under the FASB Staff Position, institutions should apply existing other-than-temporary impairment guidance to the determination of whether an impairment is other than temporary. Such guidance includes FASB Statement No. 115, EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*, and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 59, *Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities* (Topic 5.M. in the Codification of Staff Accounting Bulletins).

### **GNMA Mortgage Loan Optional Repurchase Program**

A seller-servicer must report all delinquent residential mortgage loans backing Government National Mortgage Association mortgage-backed securities that must be rebooked as assets in accordance with FASB Statement No. 140 (GNMA loans), whether they have been repurchased or are eligible for repurchase, as loans held for sale (Schedule HC, item 4.a) or loans held for investment (Schedule HC, item 4.b), based on facts and circumstances, in accordance with generally accepted accounting principles. In addition, if a bank holding company services GNMA loans, but was not the transferor of the loans that have been securitized, and purchases individual delinquent loans out of the GNMA securitization, the bank holding company must also report the purchased loans as loans held for sale or held for investment. All GNMA loans recognized as assets should be reported as past due in Schedule HC-N in accordance with their contractual repayment terms. Such delinquent GNMA loans should be reported in items 1.c, 11, and 11.b of Schedule HC-N. An institution that forecloses on real estate backing a delinquent GNMA loan should report the property as “other real estate owned” and not as an “other asset” on the FR Y-9C balance sheet.

### **Commitments to Originate and Sell Mortgage Loans**

Commitments to originate mortgage loans that will be held for resale, which are referred to as derivative loan commitments, are derivatives and must be accounted for at fair value on the balance sheet by the issuer. All loan sales agreements, including both mandatory delivery and best efforts contracts, must be evaluated by both the seller and the purchaser to determine whether the agreements meet the definition of a derivative under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by FASB Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. Institutions must also account for loan sales agreements that meet the definition of a derivative, which are referred to as forward loan sales commitments, at fair value on the balance sheet. The banking agencies provided guidance on the appropriate accounting and reporting for these commitments in their May 2005 Interagency Advisory on Accounting and Reporting for

Commitments to Originate and Sell Mortgage Loans, which can be accessed on the Federal Reserve Board's Web site at [www.federalreserve.gov/boarddocs/srletters/2005/sr0510.htm](http://www.federalreserve.gov/boarddocs/srletters/2005/sr0510.htm).

According to the advisory, under a typical derivative loan commitment, the borrower can choose to (1) "lock-in" the current market rate for a fixed-rate loan, i.e., a fixed derivative loan commitment; (2) "lock-in" the current market rate for an adjustable-rate loan that has a specified formula for determining when and how the interest rate will adjust, i.e., an adjustable derivative loan 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 derivative loan commitment.

Bank holding companies are expected to apply the guidance in the advisory when preparing their FR Y-9C reports. However, until certain questions that have been raised about floating derivative loan commitments are resolved, institutions should follow their existing reporting policies for floating derivative loan commitments and need not account for and report these commitments as derivatives for FR Y-9C reporting purposes. All other derivative loan commitments should be reported as over-the-counter written interest rate options in Schedule HC-L, Derivatives and Off-Balance Sheet Items, not as unused commitments in item 1 of Schedule HC-L. For further information on the reporting of loan commitments, please refer to 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](http://www.federalreserve.gov/boarddocs/reportforms/supplemental.cfm?WhichFormID=FR_Y-9C)).

### **Reporting Asset-Backed Commercial Paper Conduits in Schedule HC-R**

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.

In July 2004, the banking agencies issued a final rule that sets forth the risk-based capital treatment for assets in ABCP conduits that sponsoring banking organizations are required to consolidate in accordance with FASB Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*. The final rule permits sponsoring banking organizations to exclude the consolidated ABCP program assets from their risk-weighted asset bases when they calculate their risk-based capital ratios. It also imposes a 10 percent credit conversion factor on eligible ABCP program liquidity facilities with an original maturity of one year or less that provide liquidity support to these programs. Eligible liquidity facilities with an original maturity exceeding one year remain subject to the current 50 percent credit conversion factor. In contrast, ineligible liquidity facilities (both short-term and long-term) are treated as direct credit substitutes or recourse obligations and are subject to a 100 percent credit conversion factor. In addition, any minority interests in consolidated ABCP programs are not eligible for inclusion in



Tier 1 capital (or total risk-based capital) if the bank excludes the consolidated ABCP program assets from risk-weighted assets pursuant to the final rule. 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.

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.

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. For *ineligible* liquidity facilities (both direct credit substitutes and recourse obligations), bank holding companies should report the full amount of the unused portion of the facility in Schedule HC-R, item 51, column A. Finally, any minority interests in consolidated ABCP programs should not be included in Schedule HC-R, item 6.a, "Qualifying minority interests in consolidated subsidiaries and similar items" if the consolidated program assets are excluded from risk-weighted assets.

## **Listing of Revisions**

### **Revisions to the FR Y-9C for June 2006:**

#### Report Form and Corresponding Instructions

- (1) *Cover page*. Updated reporting date to June 30, 2006.
- (2) *Schedule HC, memoranda item 1*. Replaced the phrase “as of the December 31 report date” with the phrase “at any time during the calendar year” in the item caption.
- (3) *Schedule HC-B, memoranda item 2*. Inserted the phrase “or next repricing date” and inserted two clarifying footnotes.
- (4) *Schedule HC-M, item 21*. Clarified item with new caption “Net assets of subsidiaries engaged in insurance or reinsurance underwriting pursuant to Section 4(k)(4)(B) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act.”

#### Instructions

- (1) *General Instructions*. Modified section A., “Reporting Criteria,” to indicate that if a top-tier holding company is exempt from reporting the FR Y-9C, then the lower-tier holding company (with consolidated assets of \$500 million or more) must file the FR Y-9C.
- (2) *General Instructions*. Modified section “When to Submit the Reports” to remove references of top-tier versus lower-tier filings of the FR Y-9C report.
- (3) *General Instructions*. Modified section “Verification and Signatures” to remove instruction on signature requirements for lower-tier BHCs filing the FR Y-9C report.
- (4) *Schedule HC-I, General Instructions*. Clarified to remove references of top-tier versus lower-tier filings of Schedule HC-I.
- (5) *Schedule HC-L, item 7.a*. Clarified the reporting of the notional amount of tranching credit derivative transactions.
- (6) *Schedule HC-M, item 11*. Clarified to remove references of top-tier versus lower-tier reporting of this item.

### **Revisions to the FR Y-9LP for June 2006:**

#### Report Form

*Cover page*. Updated reporting date to June 30, 2006.

#### Instructions

*General Instructions*. Modified section A., “Reporting Criteria,” to indicate that if a top-tier holding company is exempt from reporting the FR Y-9C, then the lower-tier holding company (with consolidated assets of \$500 million or more) must file the FR Y-9C.

## **Revisions to the FR Y-9SP for June 2006:**

### **Report Form**

- (1) *Cover page*. Updated reporting date to June 30, 2006. Modified language indicating change in reporting threshold from less than \$150 million to less than \$500 million in total consolidated assets.
- (2) *Schedule SI, item 3*. Inserted clarifying footnote.
- (3) *Schedule SC, item 8*. Inserted clarifying footnote.
- (4) *Schedule SC, memoranda item 1*. Replaced the phrase “as of the December 31 report date” with the phrase “at any time during the calendar year” in the item caption. Modified parenthetical note to indicate that item is to be reported only annually for the December 31 report date.
- (5) *Schedule SC-M, item 8.a*. Added new item for “Total off-balance-sheet activities conducted either directly or through a nonbank subsidiary.”
- (6) *Schedule SC-M, item 8.b*. Added new item for “Total debt and equity securities (other than trust preferred securities) outstanding that are registered with the Securities and Exchange Commission.”
- (7) *Schedule SC-M, item 22*. Clarified item with new caption “Net assets of subsidiaries engaged in insurance or reinsurance underwriting pursuant to Section 4(k)(4)(B) of the Bank Holding Company Act as amended by the Gramm-Leach-Bliley Act.”

### **Instructions**

- (1) *General Instructions*. Modified section A., “Reporting Criteria,” to indicate the change in filing threshold from less than \$150 million to less than \$500 million in consolidated assets.
- (2) *General Instructions*. Modified section A., “Reporting Criteria,” to indicate that if a top-tier holding company is exempt from reporting the FR Y-9C, then the lower-tier holding company (with consolidated assets of \$500 million or more) must file the FR Y-9C.
- (3) *General Instructions*. Modified section C., “Shifts in Reporting Status,” to provide guidance as to when a bank holding company reaching \$500 million in consolidated assets is to begin filing the FR Y-9C.
- (4) *Schedule SC, item 5(a)*. Clarified instructions to indicate that item is inclusive of any direct investments in indirect subsidiaries of the reporting bank holding company.
- (5) *Schedule SC-M, items 15 and 16*. Corrected a cross reference to balance sheet item 14(b).

## **Revisions to the FR Y-11/S for June 2006**

### **Report Form and Corresponding Instructions**

- (1) *Cover page*. Revised the reporting date to June 30, 2006.
- (2) *Schedule IS-A, item 7*. Corrected cross reference from 18.f to 18.g.

### **Instructions Only**

- (1) *General instructions*. Added new footnote 3.
- (2) *Schedule BS, item 18*. Removed instruction no longer applicable.

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**SUMMARY OF EDIT CHANGES EFFECTIVE  
FOR June 30 , 2006, FR Y-9C CHECKLISTS**

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**FR Y-9C**

(Validity - V, Quality - Q, Intraserries - I)

**New Edits:**

Quality: 5430

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

Quality: 7238 (V4540), 7240 (V4545), 7242 (V4550), 7244 (V4555), 7246 (V4560), 7248 (V4565), 7252 (V4570)

Intraserries: 7222 (I7250)

**Renumbered Edits:**

Validity EDCK 4540 was renumbered to quality 7238  
Validity EDCK 4545 was renumbered to quality 7240  
Validity EDCK 4550 was renumbered to quality 7242  
Validity EDCK 4555 was renumbered to quality 7244  
Validity EDCK 4560 was renumbered to quality 7246  
Validity EDCK 4565 was renumbered to quality 7248  
Validity EDCK 4570 was renumbered to quality 7252  
Intraserries EDCK 7250 was renumbered to intraserries 7190  
Quality EDCK 7252 was renumbered to quality 7194  
Quality EDCK 7254 was renumbered to quality 7198  
Quality EDCK 7257 was renumbered to quality 7202  
Quality EDCK 7259 was renumbered to quality 7206  
Quality EDCK 7261 was renumbered to quality 7210  
Quality EDCK 7263 was renumbered to quality 7214  
Quality EDCK 7264 was renumbered to quality 7218  
Intraserries EDCK 7266 was renumbered to intraserries 7222  
Intraserries EDCK 7267 was renumbered to intraserries 7226  
Intraserries EDCK 7268 was renumbered to intraserries 7230  
Intraserries EDCK 7269 was renumbered to intraserries 7234

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**SUMMARY OF EDIT CHANGES EFFECTIVE  
FOR June 30 , 2006, FR Y-9SP CHECKLISTS**

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**FR Y-9SP**

(Validity - V, Quality - Q, Intraserries - I)

**New Edits:**

Quality: 0610, 0945, 9120 (SC-M8a: bhspf074 and SC-M8b: bhspf075)

Intraserries: 0950, 0965

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

Quality: 0869, 0975 (Q0923), 9000, 9005 (Q9000 -- SI-3a: bhsp0206 and SI-3b: bhsp1283), 9006, 9015 (9010 - SI-13: bhsp4340), 9020, 9040, 9060, 9070 (Q9080 -- SC-6c: bhsp3523), 9080, 9084 (Q9080 -- SC-8: bhsp3620), 9087 (Q9080 -- SC-9: bhsp2170, SC-10a: bhsp2309, SC-10b: bhsp2724, SC-11: bhsp3151, SC-12: bhsp3166, SC-13: bhsp3167, SC-14a: bhsp3605, SC-14b: bhsp3621, SC-16a: bhsp3283, SC-16b: bhsp3230), 9100 and 9120

**Deleted Edits:**

Quality: 0645, 0918, 0919, 9010 (SI-12c: bhsp3513), 9070 (SC-6a: bhsp0201 and SC-6b: bhsp0202)

**Renumbered Edits:**

Quality edit 0923 was renumbered to quality edit 0975

Quality edit 0921 was renumbered to quality edit 0960

Quality edit 0925 was renumbered to quality edit 0980

Quality edit 0930 was renumbered to quality edit 0985

Quality edit 0940 was renumbered to quality edit 0990

Quality edit 9000 was renumbered to quality edit 9005 for target items SI-3a (bhsp0206) and SI-3b (bhsp1283)

Quality edit 9000 was renumbered to quality edit 9006 for the following target items: SI-4 (bhsp0447), SI-5 (bhsp4000), SI-6 (bhsp4073), SI-7 (bhsp4093), and SI-8 (bhsp4130)

Quality edit 9010 was renumbered to quality edit 9015 for target item SI-13 (bhsp4340)

Quality edit 9080 was renumbered to quality edit 9070 for target item SC-6c (bhsp3523)

Quality edit 9080 was renumbered to quality edit 9084 for target item SC-8 (bhsp3620)

Quality edit 9080 was renumbered to quality edit 9087 for the following target items: SC-9 (bhsp2170), SC-10a (bhsp2309), SC-10b (bhsp2724), SC-11 (bhsp3151), SC-12 (bhsp3166), SC-13 (bhsp3167), SC-14a (bhsp3605), SC-14b (bhsp3621), SC-16a (bhsp3283), and SC-16b (bhsp3230)