

Description: American Electric Power Service Corp, on behalf of the AEP Power Marketing Inc et al submits on February 13, 2006 an Offer of Settlement and two related Settlement Agreements; on February 14, 2006 submits Certificate of Service.

Filed Date: February 13, 2006.

Accession Number: 20060223-0094.

Comment Date: 5 p.m. eastern time on Monday, March 6, 2006.

Any person desiring to intervene or to protest in any of the above proceedings must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214) on or before 5 p.m. eastern time on the specified comment date. It is not necessary to separately intervene again in a subdocket related to a compliance filing if you have previously intervened in the same docket. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant. In reference to filings initiating a new proceeding, interventions or protests submitted on or before the comment deadline need not be served on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper, using the FERC Online links at <http://www.ferc.gov>. To facilitate electronic service, persons with Internet access who will eFile a document and/or be listed as a contact for an intervenor must create and validate an eRegistration account using the eRegistration link. Select the eFiling link to log on and submit the intervention or protests.

Persons unable to file electronically should submit an original and 14 copies of the intervention or protest to the Federal Energy Regulatory Commission, 888 First St. NE., Washington, DC 20426.

The filings in the above proceedings are accessible in the Commission's eLibrary system by clicking on the appropriate link in the above list. They are also available for review in the Commission's Public Reference Room in Washington, DC. There is an eSubscription link on the Web site that enables subscribers to receive e-mail notification when a document is added to a subscribed dockets(s). For assistance with any FERC Online service, please e-mail FERCOnlineSupport@ferc.gov or call

(866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Magalie R. Salas,
Secretary.

[FR Doc. E6-3081 Filed 3-3-06; 8:45 am]

BILLING CODE 6717-01-P

FEDERAL HOUSING FINANCE BOARD

Sunshine Act Meeting Notice; Announcing a Partially Open Meeting of the Board of Directors

TIME AND DATE: The open meeting of the Board of Directors is scheduled to begin at 10 a.m. on Wednesday, March 8, 2006. The closed portion of the meeting will follow immediately the open portion of the meeting.

PLACE: Board Room, First Floor, Federal Housing Finance Board, 1625 Eye Street NW., Washington DC 20006.

STATUS: The first portion of the meeting will be open to the public. The final portion of the meeting will be closed to the public.

MATTER TO BE CONSIDERED AT THE OPEN

PORTION: Proposed Rule: Excess Stock Restrictions and Retained Earnings Requirements for the Federal Home Loan Banks.

MATTER TO BE CONSIDERED AT THE CLOSED

PORTION: Periodic Update of Examination Program Development and Supervisory Findings.

FOR MORE INFORMATION CONTACT: Shelia Willis, Paralegal Specialist, Office of General Counsel, at 202-408-2876 or williss@fhfb.gov.

By the Federal Housing Finance Board.

Dated: March 1, 2006.

John P. Kennedy,
General Counsel.

[FR Doc. 06-2119 Filed 3-1-06; 4:37 pm]

BILLING CODE 6725-01-P

FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: Background.

Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the

official OMB inventory of currently approved collections of information. Copies of the OMB 83-Is and supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT:

Douglas Carpenter, Supervisory Financial Analyst (202-452-2205) or Wanda Dreslin, Supervisory Financial Analyst (202-452-3515) for information concerning the specific bank holding company reporting requirements. The following may also be contacted regarding the information collection:

Federal Reserve Board Clearance Officer Michelle Long—Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3829)

OMB Desk Officer Mark Menchik, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, Washington, DC 20503, or e-mail to mmenchik@omb.eop.gov.

SUPPLEMENTARY INFORMATION:

Final approval under OMB delegated authority the revision, without extension, of the following reports:

1. *Report title:* Financial Statements for Bank Holding Companies.

Agency form number: FR Y-9C, FR Y-9LP, and FR Y-9SP

OMB control number: 7100-0128

Frequency: Quarterly and semiannually.

Reporters: Bank holding companies.

Annual reporting hours: FR Y-9C: 116,279; FR Y-9LP: 18,639; FR Y-9SP: 47,379.

Estimated average hours per response: FR Y-9C: 37.95; FR Y-9LP: 4.75; FR Y-9SP: 5.10.

Number of respondents: FR Y-9C: 766; FR Y-9LP: 981; FR Y-9SP: 4,645.

General description of report: This information collection is mandatory (12 U.S.C. 1844(c)). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act (5 U.S.C. §§ 522(b)(4), (b)(6) and (b)(8)).

Abstract: The FR Y-9C, FR Y-9LP, and FR Y-9SP are standardized

financial statements for the consolidated bank holding company (BHC) and its parent. The FR Y-9 family of reports historically has been, and continues to be, the primary source of financial information on BHCs between on-site inspections. Financial information from these reports is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate BHC mergers and acquisitions, and to analyze a BHC's overall financial condition to ensure safe and sound operations.

The FR Y-9C consists of standardized financial statements similar to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) filed by commercial banks. The FR Y-9C collects consolidated data from the BHC. The FR Y-9C is filed by top-tier BHCs with total consolidated assets of \$150 million or more and lower-tier BHCs that have total consolidated assets of \$1 billion or more. (Under certain circumstances defined in the General Instructions, BHCs under \$150 million may be required to file the FR Y-9C.) In addition, multibank holding companies with total consolidated assets of less than \$150 million with debt outstanding to the general public or engaged in certain nonbank activities must file the FR Y-9C.

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each BHC that files the FR Y-9C. In addition, for tiered BHCs, a separate FR Y-9LP must be filed for each lower tier BHC.

The FR Y-9SP is a parent company only financial statement filed by smaller BHCs. Respondents include one-bank holding companies with total consolidated assets of less than \$150 million and multibank holding companies with total consolidated assets of less than \$150 million that meet certain other criteria. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large BHCs (FR Y-9LP). This report is designed to obtain basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions.

Current actions: On November 2, 2005, the Federal Reserve issued for public comment proposed revisions to bank holding company reports (70 FR 66423). The comment period expired on January 3, 2006. The proposed effective date for all of the revisions was March 31, 2006. The Federal Reserve received two

comment letters. In addition, thirty comments were received by the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (banking agencies) on proposed revisions to the Call Reports that parallel some of the proposed revisions to the FR Y-9C, and were also taken into consideration.

After considering all comments, the Federal Reserve approved several modifications to the initial set of proposed revisions and decided to phase-in the changes beginning March 31, 2006, through March 31, 2007, to provide BHCs sufficient time to make system and processing changes. The Federal Reserve will move forward with reporting changes to the FR Y-9C and FR Y-9LP on March 31, 2006, to increase the asset-size threshold for filing the FR Y-9C and FR Y-9LP from \$150 million to \$500 million and to revise other current filing criteria affecting the reporting of the FR Y-9C and FR Y-9LP. Other FR Y-9C revisions effective for March 31, 2006, include: (1) Adding a data item for loans for purchasing and carrying securities, (2) adding a data item for additional regulatory capital detail, (3) adding data items for further detail on credit derivatives, (4) removing the threshold for reporting of life insurance assets, (5) revising the scope of securitizations to be included in Schedule HC-S, (6) removing the FR Y-9C filing requirement for lower-tier BHCs with total assets of \$1 billion or more; (7) deleting or imposing a reporting threshold on a number of data items; and (8) making revisions to the reporting instructions. The Federal Reserve will delay the implementation for providing additional detail on certain balance sheet data items, mortgage banking activities, and credit derivatives to September 30, 2006, and other data items providing additional detail on income statement data items and certain loans to March 31, 2007. In addition, revised officer signature requirements for the FR Y-9C and FR Y-9LP will take effect September 30, 2006. Finally, the Federal Reserve will implement revisions to the FR Y-9SP on June 30, 2006, to: (1) increase the asset-size threshold for filing the FR Y-9SP from under \$150 million to under \$500 million; (2) revise other current filing criteria affecting the reporting of the FR Y-9SP; and (3) add two new data items to collect information on total off-balance-sheet activities and total debt and equity securities. Revised officer signature requirements for the FR Y-9SP will take effect December 31, 2006.

A summary of final revisions and the Federal Reserve's response to the comments are presented below.

FR Y-9C Revisions Effective as of the March 31, 2006, Reporting Date

Filing Criteria

The Federal Reserve will increase the asset-size threshold of the FR Y-9C from \$150 million to \$500 million. BHCs with consolidated assets of less than \$500 million generally will file the parent-only FR Y-9SP. The Federal Reserve will also revise the other criteria used in determining whether a BHC is subject to consolidated FR Y-9C reporting requirements. However, the Federal Reserve will retain the current policy that allows a Reserve Bank to require a BHC to file consolidated financial reports if the Reserve Bank determines that such action is warranted for supervisory reasons.

Specifically, the Federal Reserve will require BHCs with consolidated assets of less than \$500 million to continue to comply with the FR Y-9C reporting requirements if the holding company (1) is engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (2) conducts significant off-balance-sheet activities, including securitizations or managing or administering assets for third parties, either directly or through a nonbank subsidiary; or (3) has a material amount of debt or equity securities (other than trust preferred securities) outstanding that are registered with the Securities and Exchange Commission (SEC).¹ While the incidence of BHCs with consolidated assets of less than \$500 million meeting any of these criteria is expected to be infrequent, any such holding company will be notified and given a reasonable timetable for meeting the consolidated capital and reporting requirements.

In addition, the Federal Reserve separately approved amendments to the capital adequacy guidelines to explicitly provide that BHCs not subject to the capital guidelines may voluntarily comply with the guidelines. BHCs electing to comply with the guidelines will be required to file the complete consolidated FR Y-9C, and generally would not be permitted to revert back to filing the FR Y-9SP report in any subsequent periods.

¹ Responsibility for determination whether such activities are significant or material for any given BHC would rest with the supervisory function at each Federal Reserve district bank. If a Reserve Bank finds that a BHC meet any of these criteria, the Reserve Bank would be responsible for notifying the BHC and establishing the time frame for meeting the capital adequacy guidelines and FR Y-9C reporting requirements.

Lower-tier Reporting Requirements

The Federal Reserve proposed to eliminate the reporting exception requiring top-tier BHCs to submit an FR Y-9C for each lower-tier BHC with total consolidated assets of \$1 billion or more, finding that information from such lower-tier institutions is no longer needed for supervisory or safety and soundness purposes. Such BHCs would continue to file the FR Y-9LP.

Two commenters supported this change, but further requested exemption from submitting information on two schedules in the FR Y-9LP – Schedule PI-A, Cash Flow Statement and Schedule PC-B, Memoranda. The commenters believed that these schedules are of little supervisory value for the lower-tier BHCs, but create significant burden for the reporting institutions. They also sought clarification of requirements for lower-tier BHCs to continue to file the FR Y-9LP.

All lower-tier BHCs of parent FR Y-9C filers are required to file the FR Y-9LP. Both the cash flow statement and the memoranda schedule provide cash flow and liquidity information that are considered critical for supervisory and safety and soundness purposes, particularly if the BHC is undergoing a period of financial stress. Such information would not be reflected in the top-tier BHC's parent-only FR Y-9LP statement. Information collected on Schedules PI-A and PC-B are also an important input when monitoring the condition of these institutions between on-site examinations. Lack of this information could lead to more frequent on-site examinations, which would tend to increase overall regulatory burden. For these reasons the Federal Reserve will retain the requirement that lower-tier BHCs of parent FR Y-9C filers submit the entire FR Y-9LP.

Impact of Derivatives on Income

In Schedule HI, Income Statement, the Federal Reserve is eliminating Memoranda data items 10.a through 10.c, which collect data on the Impact on income of derivatives held for purposes other than trading.

Bankers Acceptances

The Federal Reserve will eliminate the following data items for reporting information on bankers acceptances: Schedule HC, data item 9, Customers' liability on acceptances outstanding; Schedule HC, data item 18, Liability on acceptances executed and outstanding; Schedule HC-M, data item 10, a data item that provides an indication of whether the BHC has reduced the

liabilities on acceptances executed and outstanding by the amount of any participations in bankers acceptances; and Schedule HC-L, data item 5, Participations in acceptances conveyed to others by the reporting bank holding company. BHCs will be instructed to include any acceptance assets and liabilities in Other assets and Other liabilities, respectively, on the balance sheet and to include in the Other category of Schedule HC-F, Other Assets, and Schedule HC-G, Other Liabilities.

Holdings of Asset-Backed Securities

BHCs with domestic offices only and less than \$1 billion in total assets will no longer submit a six-way breakdown of their holdings of asset-backed securities (not held for trading purposes) in Schedule HC-B, Securities, data items 5.a through 5.f.² Instead, these BHCs will submit only their total holdings of asset-backed securities in Schedule HC-B, data item 5. However, all BHCs with foreign offices and other BHCs with \$1 billion or more in total assets will continue to submit the existing breakdown of their asset-backed securities, but this information will be collected in new Memorandum data items 5.a through 5.f of Schedule HC-B. To determine whether a BHC must complete Memorandum data items 5.a through 5.f during 2006, the \$1 billion asset size test is based on the total assets reported on the BHC's FR Y-9C balance sheet for June 30, 2005. Each year thereafter, this asset size test will be determined based on the total assets reported in the previous year's June 30 FR Y-9C report. Once a BHC surpasses the \$1 billion total asset threshold, it must continue to submit these memorandum data items regardless of subsequent changes in its total assets.

Schedule HC-C-Loans and Lease Financing Receivables

The Federal Reserve will revise Schedule HC-C, data item 9, All other loans, to break out a new data item 9.a, Loans for purchasing or carrying securities (secured and unsecured). Current data item 9 would be renumbered as 9.b. This data item will be defined the same as a comparable data item currently reported by banks on the Call Report.

Life Insurance Assets

At present, BHCs include their holdings of life insurance assets (that is,

the cash surrender value submitted to the BHC by the insurance carrier, less any applicable surrender charges not reflected by the carrier in this submitted value) in Schedule HC-F, data item 5, Other assets. If the carrying amount of a BHC's life insurance assets included in data item 5 exceed 25 percent of its Other assets, the BHC must disclose this carrying amount in data item 5.a. The Federal Reserve will revise Schedule HC-F, data item 5.a, by removing the disclosure threshold of 25 percent of Other assets. Existing data item 5, Other assets, in Schedule HC-F will be renumbered as data item 6.

Credit Derivatives by Type and Remaining Maturity

In data item 7 of Schedule HC-L, Derivatives and Off-Balance Sheet Items, BHCs currently submit the notional amounts of the credit derivatives on which they are the guarantor and on which they are the beneficiary as well as the gross positive and negative fair values of these credit derivatives. These existing data items will be revised so that BHCs with credit derivatives will submit a breakdown of these notional amounts by type of credit derivative – credit default swaps, total return swaps, credit options, and other credit derivatives – in data items 7.a.(1) through 7.a.(4) of Schedule HC-L, with those on which the BHC is the guarantor submitted in column A and those on which the BHC is the beneficiary in column B. BHCs will continue to separately submit the gross positive and negative fair values of credit derivatives on which they are the guarantor and the beneficiary without a breakdown by type of credit derivative (data items 7.b.(1) and 7.b.(2), columns A and B).

In addition, BHCs currently present a maturity distribution for six categories of derivative contracts that are subject to the risk-based capital standards in Schedule HC-R, Regulatory Capital, Memorandum data item 2. A new category will be added for credit derivatives that are subject to these standards. The remaining maturities of these credit derivatives will be submitted separately for those where the underlying reference asset is rated investment grade or, if not rated, is the equivalent of investment grade under the BHC's internal credit rating system (Memorandum data item 2.g.(1)) and those where the underlying reference asset is rated below investment grade (subinvestment grade) or, if not rated, is the equivalent of below investment grade under the BHC's internal credit rating system (Memorandum data item 2.g.(2)).

² In Schedule HC-B, the asset-backed securities reported in data items 5.a through 5.f exclude mortgage-backed securities, which are reported separately in data items 4.a.(1) through 4.b.(3) of the schedule.

Schedule HC-M-Memoranda

The Federal Reserve will delete Schedule HC-M, data item 7, Total assets of unconsolidated subsidiaries and associated companies.

Schedule HC-R-Regulatory Capital

The Federal Reserve will add a new memorandum data item 6, Market risk equivalent assets attributable to specific risk (included in Schedule HC-R, data item 58). The Federal Reserve's risk-based capital standards require all BHCs with significant market risk to measure their market risk exposure and hold sufficient capital to mitigate this exposure. In general, a BHC is subject to the market risk capital guidelines if its consolidated trading activity, defined as the sum of trading assets and liabilities submitted in its FR Y-9C for the previous quarter, equals: (1) 10 percent or more of the BHC's total assets as submitted in its FR Y-9C for the previous quarter or (2) \$1 billion or more.

A BHC that is subject to the market risk guidelines must hold capital to support its exposure to general market risk and specific risk. General market risk means changes in the market value of covered positions resulting from broad market movements, such as changes in the general level of interest rates, equity prices, foreign exchange rates, or commodity prices. Covered positions include all positions in a BHCs trading account and foreign exchange and commodity positions, whether or not in the trading account. Specific risk means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk.

Scope of Securitizations to be Included in Schedule HC-S

In column G of Schedule HC-S, Servicing, Securitization, and Asset Sale Activities, BHCs submit information on securitizations and on asset sales with recourse or other seller-provided credit enhancements involving loans and leases other than those covered in columns A through F. Although the scope of Schedule HC-S was intended to cover all of a BHC's securitizations and credit-enhanced asset sales, as currently structured column G does not capture transactions involving assets other than loans and leases. Therefore, the Federal Reserve will revise the scope of column G to encompass All Other Loans, All Leases, and All Other Assets. As a result, column G will begin to reflect securitization transactions involving such assets as securities.

Instructions

In addition to modifying instructions to incorporate the proposed reporting changes, the Federal Reserve will revise the following reporting instructions.

General Instructions – The Federal Reserve will modify the reporting instructions under Who Must Report, section C, Shifts in Reporting Status: A top-tier BHC that reaches \$500 million or more in total consolidated assets as of June 30 of the preceding year should begin reporting on the FR Y-9C in March of the current year. If a BHC reaches \$500 million or more in total consolidated assets due to a business combination, then the BHC will be instructed to begin reporting the FR Y-9C beginning with the first quarterly report date following the effective date of the business combination. In general, once a BHC reaches or exceeds \$500 million in total assets and begins filing the FR Y-9C, it should file a complete FR Y-9C going forward. If a BHC's total assets should subsequently fall to less than \$500 million for four consecutive quarters, then the BHC may revert to filing the FR Y-9SP.

Schedule HC-B-Securities – The Federal Reserve will modify the reporting instructions for Schedule HC-B, memorandum data item 2, Remaining maturity of debt securities, to instruct BHCs to submit the remaining maturity of holdings of floating rate debt securities according to the amount of time remaining until the next repricing date. This instruction will be consistent with the current reporting treatment for a comparable data item in the Call Report. The instructions for this data item will also be expanded to define the terms fixed interest rate, floating rate, and next repricing date to make them consistent with the Call Report instructions.

Schedule HC-K-Quarterly Averages – The Federal Reserve will modify Schedule HC-K, data item 11, Equity capital, to no longer exclude net unrealized losses on marketable equity securities, other net unrealized gains and losses on available-for-sale securities, and accumulated net gains (losses) on cash flow hedges when calculating average equity capital.

Schedule HC-S-Servicing, Securitization, and Asset Sale Activities – BHCs submit the outstanding principal balance of assets serviced for others in Schedule HC-S, memorandum data item 2, Servicing, Securitization, and Asset Sale Activities. In memoranda data items 2.a and 2.b, the amounts of 1-4 family residential mortgages serviced with recourse and without recourse, respectively, are submitted.

Memorandum data item 2.c covers all other financial assets serviced for others, but BHCs are required to submit the amount of such servicing only if the servicing volume is more than \$10 million. The Federal Reserve will clarify the instructions by stating that servicing of home equity lines should be included in Memorandum data item 2.c. Memorandum data items 2.a and 2.b should include servicing of closed-end loans secured by first or junior liens on 1-4 family residential properties only.

*FR Y-9C Revisions Effective as of the September 30, 2006, Reporting Date**Officer Signature Requirements*

Several commenters to a comparable Call Report proposal expressed concern regarding the revision to the existing officer declaration to require that the reporting form be signed by each BHC's chief executive officer (or the person performing similar functions) and chief financial officer (or the person performing similar functions) rather than by an "authorized officer." Under the proposal, the officer declaration was also to be revised to state that these officers are responsible for establishing and maintaining internal control over financial report submissions, including controls over regulatory reports. Commenters indicated that it would be difficult to obtain the required review and signatures of the chief executive officer and chief financial officer in the short timeframe allowed for completion and submission of the data.

Several commenters also expressed concern that the banking agencies were trying to impose certification and internal control standards similar to those contained in the Sarbanes-Oxley Act of 2002 for compliance with regulatory submission guidelines. However, statutory requirements already specify that regulatory reports must be signed by an authorized officer. These statutes further require that, in signing the regulatory reports, the officer address the correctness of the submitted information. The statutes also recognize that institutions are responsible for maintaining procedures to ensure the accuracy of this information.

After considering the comments received, the Federal Reserve will revise the existing officer signature requirement so that the BHC reporting form must be signed only by the BHC's chief financial officer (or the individual performing an equivalent function) rather than by any authorized officer of the BHC. In signing the BHC reporting forms, the chief financial officer will attest that the reporting forms have been

prepared in conformance with the instructions and are true and correct to the best of the officer's knowledge and belief. The introductory paragraph preceding the statements concerning the preparation of the BHC report that must be signed by the chief financial officer will note that each BHC's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the BHC data submission. (This language concerning internal control does not appear in the statement to be signed by the chief financial officer.) Similar references to the responsibility of the board and senior management for the internal control system are contained in the banking agencies' March 2003 Interagency Policy Statement on the Internal Audit Function and Its Outsourcing. Internal control and its relationship to timely and accurate regulatory reports are also addressed in the Interagency Guidelines Establishing Standards for Safety and Soundness.

Amounts Payable and Receivable on Credit Derivatives

BHCs with credit derivatives currently submit the notional amount and fair value of these instruments in Schedule HC-L, data item 7, Derivatives and Off-Balance Sheet Instruments. BS&R proposed to add new data items 7.c.(1) and (2) to Schedule HC-L to collect information on the maximum amounts that the reporting BHC can collect or must pay on the credit derivatives it has entered into. One commenter on comparable Call Report changes requested further clarification regarding what is meant by "maximum" in this context. This term will be clarified.

Secured Borrowings

The Federal Reserve proposed to add two data items to Schedule HC-M, Memoranda, in which BHCs will submit the amount of their Federal funds purchased (as submitted in Schedule HC, data item 14.a), and their Other borrowings (as submitted in Schedule HC-M, data item 14) that are secured. Two commenters specifically addressed comparable data items proposed to the Call Report. One did not object to these data items, but the other suggested that materiality thresholds be applied to the submission of these two data items. Various alternative materiality thresholds were evaluated with the conclusion that, for many institutions, such thresholds would effectively increase, rather than reduce, the burden associated with providing the requested

information. Burden would effectively increase because these institutions would have to assess whether they exceed the reporting threshold as of each report date and would need to develop a system for capturing the information whenever the threshold is exceeded. Once the threshold is exceeded institutions would continue to submit the information until the volume of the submitted information declined and remained below a threshold for a sufficient period of time to indicate that the borrowings were no longer an integral part of the institution's operations. Therefore, the Federal Reserve does not support establishing a materiality threshold for these data items.

Closed-End 1-4 Family Residential Mortgage Banking Activities

The Federal Reserve proposed adding a new Schedule HC-P (Call Report Schedule RC-P) that would contain a series of data items that are focused on closed-end 1-4 family residential mortgage banking activities. The schedule would include data items for the principal amount of retail originations during the quarter of mortgage loans for resale, wholesale originations and purchases during the quarter of mortgage loans for resale, and mortgage loans sold during the quarter. The schedule would also collect information on the carrying amount of mortgage loans held for sale at quarter-end. Data would be submitted separately for first lien and junior lien mortgages.³

The Federal Reserve further proposed that Schedule HC-P would be completed by all BHCs with \$1 billion or more in total assets or by any BHC that has a bank subsidiary that is required to submit this information by the bank subsidiary's primary regulator. One commenter to comparable changes proposed on the Call Report stated that this submission approach of requiring bank subsidiaries to submit this information by the bank's primary regulator could result in confusion and inconsistent treatment. This commenter recommended against leaving the submission decision up to a bank's regulator, suggesting instead that a reporting threshold by mortgage volume be established for banks with less than \$1 billion in assets. This commenter also stated that data collection for this new schedule would be time consuming and some information may need to be

compiled manually. Three other commenters to the Call Report changes urged the banking agencies to delay the implementation of the proposed information to provide more lead time to prepare for it. Another commenter requested clear instructional guidance for the information to be submitted in this new schedule. As discussed in the following paragraph, the agencies have established a mortgage volume threshold for submitting data on Schedule RC-P of the Call Report by banks with less than \$1 billion in total assets. The effective date of the schedule has also been delayed from the proposed March 31, 2006, implementation date. The instructions will be refined from those included in the proposal.

Call Report Schedule RC-P is to be completed by (1) all banks with \$1 billion or more in total assets⁴ and (2) banks with less than \$1 billion in total assets whose closed-end 1-4 family residential mortgage banking activities exceed a specified level. More specifically, if either closed-end (first lien and junior lien) 1-4 family residential mortgage loan originations and purchases for resale from all sources, loan sales, or quarter-end loans held for sale exceed \$10 million for two consecutive quarters, a bank with less than \$1 billion in total assets must complete Schedule RC-P beginning the second quarter and continue to complete the schedule through the end of the calendar year. For example, for a bank with less than \$1 billion in total assets, if the bank's closed-end 1-4 family residential mortgage loan originations plus purchases for resale from all sources exceeded \$10 million during the quarter ended June 30, 2006, and the bank's sales of such loans exceeded \$10 million during the quarter ended September 30, 2006, the bank would be required to complete Schedule RC-P in its September 30 and December 31, 2006, Call Reports. The level of the bank's mortgage banking activities during the fourth quarter of 2006 and the first quarter of 2007 would determine whether it would need to complete Schedule RC-P each quarter during 2007 beginning March 31, 2007.

Retail originations of closed-end 1-4 family residential mortgage loans for resale include those mortgage loans for which the origination and underwriting process was handled exclusively by the

³ An additional data item on noninterest income earned during the quarter from these mortgage banking activities will be added to Schedule HC-P effective March 31, 2007.

⁴ The \$1 billion asset size test is generally based on the total assets reported on the Call Report balance sheet (Schedule RC, data item 12) as of June 30 of the preceding year. Banks with \$1 billion or more in total assets as of June 30, 2005, must complete Schedule RC-P beginning September 30, 2006.

bank or a consolidated subsidiary of the bank. Therefore, retail originations would exclude those closed-end 1-4 family residential mortgage loans for which the origination and underwriting process was handled in whole or in part by another party, such as a correspondent or mortgage broker, even if the loan was closed in the name of the bank or a consolidated subsidiary of the bank. Such loans would be treated as wholesale originations or purchases, as would acquisitions of closed-end 1-4 family residential mortgage loans that were closed in the name of a party other than the bank or a consolidated subsidiary of the bank. Closed-end 1-4 family residential mortgage loans originated or purchased for the reporting bank's own loan portfolio should be excluded from amounts submitted as originations or purchases for resale in Schedule RC-P.

Closed-end 1-4 family residential mortgage loans sold during the quarter include those transfers of loans originated or purchased for resale from retail or wholesale sources that have been accounted for as sales in accordance with FASB Statement No. 140, i.e., those transfers where the loans are no longer included in the bank's consolidated total assets. Sales of closed-end 1-4 family residential mortgage loans directly from the bank's loan portfolio during the quarter should also be submitted as loans sold.

Closed-end 1-4 family residential mortgage loans held for sale at quarter-end should be submitted at the lower of cost or fair value consistent with their presentation in the Call Report balance sheet. Such loans would include any mortgage loans transferred at any time from the bank's loan portfolio to a held-for-sale account that have not been sold by quarter-end.

The Federal Reserve will incorporate the same filing criteria and comparable instructional guidance for new Schedule HC-P.

FR Y-9C Revisions Effective as of the March 31, 2007 Report Date

Income from Annuity Sales, Investment Banking, Advisory, Brokerage, and Underwriting

In the FR Y-9C income statement (Schedule HI), BHCs currently submit commissions and fees from sales of annuities (fixed, variable, and deferred) and related referral and management fees in one of three data items: income from sales of annuities by a bank subsidiary's trust department (or a consolidated trust company subsidiary) that are executed in a fiduciary capacity is submitted in Income from fiduciary

activities (Schedule HI, data item 5.a); income from sales of annuities to BHC customers by a BHC's securities brokerage subsidiary is submitted in Investment banking, advisory, brokerage, and underwriting fees and commissions (Schedule HI, data item 5.d); and income from all other annuity sales is submitted in Income from other insurance activities (Schedule HI, data item 5.h.(2)). Existing data item 5.d also collects the amount of noninterest income from a variety of other activities.

To better distinguish between BHCs' noninterest income from investment banking (dealer) activities and their sales (brokerage) activities, the Federal Reserve will revise the noninterest income section of the income statement effective March 31, 2006. A new data item will be added for Fees and commissions from annuity sales, which will include income from sales of annuities and related referral and management fees (other than income from sales by a bank subsidiary's trust department or a consolidated trust company subsidiary executed in a fiduciary capacity, which will continue to be submitted in Schedule HI, data item 5.a). Existing data item 5.d will be replaced by separate data items for Fees and commissions from securities brokerage and Investment banking, advisory, and underwriting fees and commissions. Securities brokerage income will include fees and commissions from sales of mutual funds and from purchases and sales of other securities and money market instruments for customers (including other banks) where the BHC is acting as agent. Other than moving annuity-related income to the new data item for such income, there will be no other changes to the existing data item 5.h.(2). Income from other insurance activities. The Federal Reserve will delay implementation of these changes until March 31, 2007, consistent with a delayed implementation for similar Call Report data items.

One commenter to comparable Call Report changes, an insurance consultant, supported the proposed income statement changes relating to income from annuity sales, securities brokerage, and investment banking. However, this commenter also recommended that banks submit additional detail on income from annuity sales, a change that the banking agencies are not implementing for the Call Report. The Federal Reserve also does not see merit in adding this detail to the FR Y-9C.

Income from 1-4 Family Residential Mortgage Banking Activities

The Federal Reserve proposed to collect data on noninterest income generated from 1-4 family residential mortgage banking activities on new Schedule HC-P. New data item 5 of Schedule HC-P, Noninterest income for the quarter from the sale, securitization, and servicing of closed-end 1-4 family residential mortgage loans, would capture the portion of a BHC's Net servicing fees, Net securitization income, and Net gains (losses) on sales of loans and leases (current data items 5.f, 5.g, and 5.i of Schedule HI) earned during the quarter that is attributable to 1-4 family residential mortgage loans. A number of commenters' to comparable Call Report changes requested that the banking agencies delay the collection of this information from its proposed March 31, 2006, effective date. The Federal Reserve will delay implementation of this new data item until March 31, 2007, consistent with a delayed implementation for similar Call Report changes.

Revenues from Credit Derivatives and Related Exposures

In Schedule HI, Memorandum data item 9, BHCs that submitted average trading assets of \$2 million or more for any quarter of the preceding calendar year currently provide a four-way breakdown of trading revenue by type of risk exposure: interest rate, foreign exchange, equity, and commodity. Although BHCs also trade credit derivatives and credit cash instruments, there is no specific existing category in which to submit the revenue from these trading activities. Accordingly, the Federal Reserve proposed to add a new risk exposure category to Memorandum data item 9 for credit derivatives.

One commenter to a comparable Call Report change stated that adding credit derivatives to the breakdown of trading revenue by type of exposure may not be meaningful because credit derivative positions are often hedged with cash instruments. After considering this comment, the banking agencies have modified the Call Report proposal and will instead add a new risk exposure category for credit-related exposures effective March 31, 2007. In this new Call Report data item (Schedule RI, Memorandum data item 8.e), a bank will submit its net gains (losses) from trading cash instruments and derivative contracts that it manages as credit exposures. The Federal Reserve will add a similar data item to the FR Y-9C income statement (Schedule HI,

Memorandum data item 9.e) effective March 31, 2007.

The banking agencies are also adding new Memorandum data items 9.a and 9.b to Schedule RI, Income Statement, as of March 31, 2007, in which banks must submit the net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account, regardless of whether the credit derivative is designated as and qualifies as a hedging instrument under generally accepted accounting principles. Credit exposures outside the trading account include, for example, nontrading assets (such as available-for-sale securities or loans held for investment) and unused lines of credit. To address the commenter's concern about the use of credit derivatives for hedging, banks will submit such net gains (losses) on credit derivatives held for trading in Memorandum data item 9.a and on credit derivatives held for purposes other than trading in Memorandum data item 9.b. Thus, those net gains (losses) on credit derivatives submitted in Schedule RI, Memorandum data item 9.a, will also have been included in the amount submitted in new Memorandum data item 8.e of Schedule RI. The Federal Reserve will make these same changes to the FR Y-9C income statement effective March 31, 2007.

Construction, Land Development, and Other Land Loans

At present, BHCs submit the total amount of their Construction, land development, and other land loans in the loan schedule (Schedule HC-C, data item 1.a) and they also disclose the amount of these loans that are past due 30 days or more or in nonaccrual status (Schedule HC-N, data item 1.a) and that have been charged off and recovered (Schedule HI-B, part I, data item 1.a). The Federal Reserve proposed to split the existing data item for Construction, land development, and other land loans in these three schedules into separate data items for 1-4 family residential construction, land development, and other land loans and Other construction, land development, and other land loans. In addition, the Federal Reserve would similarly split the data item for Commitments to fund commercial real estate, construction, and land development loans secured by real estate in the off-balance sheet data items schedule (Schedule HC-L, data item 1.c.(1)) into two data items.

A significant number of commenters expressed concern regarding comparable changes to the Call Report about the burden associated with

distinguishing 1-4 family residential construction loans from other loans currently submitted in the existing construction loan category and making the system changes that would be required to provide this information, particularly in light of the relatively short timeframe banks would be provided to make these changes, i.e., by March 31, 2006, under the proposal. One other commenter, a nonbanking trade group, recommended that all residential construction loans, both 1-4 family and multifamily, be segregated from other construction loans and that banks separately submit data on 1-4 family and multifamily residential construction loans. Based on the comments received, the Federal Reserve will retain a two-way breakout of Construction, land development, and other land loans, but clarify the scope of the two new loan categories and implement the changes as of March 31, 2007.

Loans Secured by Nonfarm Nonresidential Properties

BHCs currently submit the total amount of their loans Secured by nonfarm nonresidential properties in the loan schedule (Schedule HC-C, data item 1.e) along with the amounts of these loans that are past due 30 days or more or in nonaccrual status (Schedule HC-N, data item 1.e) and the amounts that have been charged off and recovered (Schedule HI-B, part I, data item 1.e). The Federal Reserve proposed to split the existing data item for loans Secured by nonfarm nonresidential properties in these three schedules into separate data items for loans secured by owner-occupied nonfarm nonresidential properties and loans secured by other nonfarm nonresidential properties.

A significant number of commenters to comparable changes to the Call Report expressed concern about the burden of the nonfarm nonresidential real estate loan proposal similar to that discussed above with respect to construction loans. One commenter noted in particular the difficulties in determining how "mixed-use" properties should be categorized in the Call Report loan schedule. Commenters also expressed concern about the relatively short timeframe banks would be provided to make these changes, i.e., by March 31, 2006, under the proposal. Based on the comments received, the Federal Reserve will modify the scope of the two new loan categories and implement the changes in March 31, 2007.

The new category for Loans secured by other nonfarm nonresidential

properties includes those nonfarm nonresidential real estate loans where the primary or a significant source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Thus, the primary or a significant source of repayment for Loans secured by owner-occupied nonfarm nonresidential properties is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property, rather than from third party, nonaffiliated, rental income or the proceeds of the sale, refinancing, or permanent financing of the property. The determination as to whether a property is considered "owner-occupied" would be made upon acquisition (origination or purchase) of the loan. However, for purposes of determining whether existing nonfarm nonresidential real estate loans would be submitted as owner-occupied beginning March 31, 2007, BHCs may consider the source of repayment either when the loan was acquired or based on the most recent available information. Once a BHC determines whether a loan should be submitted as owner-occupied or not, this determination need not be reviewed thereafter.

Retail and Commercial Leases

BHCs currently submit a breakdown of their lease financing receivables between those from U.S. and non-U.S. addressees in Schedule HC-C, data items 10.a and 10.b. Addressee information on leases is also submitted in the past due and nonaccrual schedule (Schedule HC-N, data items 8.a and 8.b) and on the charge-offs and recoveries schedule (Schedule HI-B, part I, data items 8.a and 8.b). The Federal Reserve proposed replacing the existing addressee breakdown of leases with a breakdown between retail (consumer) leases and commercial leases in these three schedules effective March 31, 2006, but will delay implementation until March 31, 2007, consistent with a delayed implementation for similar Call Report data items.

FR Y-9LP Revisions Effective as of the March 31, 2006 Report Date

Filing Criteria

The Federal Reserve will increase the asset-size threshold of the FR Y-9LP from \$150 million to \$500 million. The Federal Reserve will further modify the other criteria and include additional

criteria that would be used in determining whether a BHC is subject to FR Y-9LP filing requirements.

Specifically, the Federal Reserve will require BHCs with consolidated assets of less than \$500 million to continue to comply with the FR Y-9LP reporting requirements, if the holding company (1) is engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (2) conducts significant off-balance-sheet activities, including securitizations or managing or administering assets for third party, either directly or through a nonbank subsidiary; or (3) has a material amount debt or equity securities (other than trust preferred securities) outstanding that are registered with the SEC. While the incidence of BHCs with consolidated assets of less than \$500 million meeting any of these criteria is expected to be infrequent, any such BHCs would be notified and given a reasonable timetable for meeting the consolidated capital and reporting requirements.

These changes are consistent with the revisions to filing criteria to the FR Y-9C, as fully described above. These filing requirements would apply to all BHCs in multi-tiered organizations.

FR Y-9LP Revisions Effective as of the September 30, 2006 Report Date

Officer Signature Requirements

Consistent with the revisions to the FR Y-9C officer signature requirement, as fully discussed above, the Federal Reserve will revise the existing FR Y-9LP officer signature requirement so that the BHC report must be signed only by the BHC's chief financial officer (or the individual performing an equivalent function) rather than by any authorized officer of the BHC. In signing the BHC reports, the chief financial officer will attest that the reports have been prepared in conformance with the instructions and are true and correct to the best of the officer's knowledge and belief. The introductory paragraph preceding the statements concerning the preparation of the BHC report that must be signed by the chief financial officer will note that each BHC's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the BHC report. (This language concerning internal control does not appear in the statement to be signed by the chief financial officer.)

Instructions

Instructions will be clarified in an attempt to achieve greater consistency in reporting by respondents.

FR Y-9SP Revisions Effective as of the June 30, 2006 Report Date

Filing Criteria

The Federal Reserve will increase the asset-size threshold of the FR Y-9SP from companies with total consolidated assets of less than \$150 million to companies with total consolidated assets of less than \$500 million. The Federal Reserve will further modify the other criteria and include additional criteria that would be used in determining whether a BHC is subject to FR Y-9SP filing requirements.

Specifically, the Federal Reserve will require BHCs with consolidated assets of less than \$500 million to continue to comply with the FR Y-9C and FR Y-9LP reporting requirements, if the holding company (1) is engaged in significant nonbanking activities either directly or through a nonbank subsidiary; (2) conducts significant off-balance-sheet activities, including securitizations or managing or administering assets for third party, either directly or through a nonbank subsidiary; or (3) has a material amount debt or equity securities (other than trust preferred securities) outstanding that are registered with the SEC.

Although the incidence of BHCs with consolidated assets of less than \$500 million meeting any of these criteria is not expected to be frequent, information is not currently available to identify BHCs meeting the second and third criteria. Therefore, the Federal Reserve will collect two new data items on Schedule SC-M, Memoranda, to identify total off-balance-sheet activities conducted either directly or through a nonbank subsidiary and to identify total debt and equity securities (other than trust preferred securities) outstanding that are registered with the SEC. BHCs meeting any of the criteria would be notified and given a reasonable timetable for meeting the consolidated capital and reporting requirements.

FR Y-9SP Revisions Effective as of the December 31, 2006 Report Date

Officer Signature Requirements

Consistent with the revisions to the FR Y-9C officer signature requirement, as fully discussed above, the Federal Reserve will revise the existing FR Y-9SP officer signature requirement so that the BHC report must be signed only by the BHC's chief financial officer (or

the individual performing an equivalent function) rather than by any authorized officer of the BHC. In signing the BHC reports, the chief financial officer will attest that the reports have been prepared in conformance with the instructions and are true and correct to the best of the officer's knowledge and belief. The introductory paragraph preceding the statements concerning the preparation of the BHC report that must be signed by the chief financial officer will note that each BHC's board of directors and senior management are responsible for establishing and maintaining an effective system of internal control, including controls over the BHC report. (This language concerning internal control does not appear in the statement to be signed by the chief financial officer.)

Instructions

In addition to modifying instructions to incorporate the reporting changes, instructions will be revised and clarified in an attempt to achieve greater consistency in reporting by respondents.

2. Report title: Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies.

Agency form number: FR Y-11 and FR Y-11S.

OMB control number: 7100-0244.

Frequency: Quarterly and annually.

Reporters: Bank holding companies

Annual reporting hours: FR Y-11 (quarterly): 24,725; FR Y-11 (annual): 1,769; FR Y-11S (annual): 1,195

Estimated average hours per response: FR Y-11 (quarterly): 6.25; FR Y-11 (annual): 6.25; FR Y-11S (annual): 1.0

Number of respondents: FR Y-11 (quarterly): 989; FR Y-11 (annual): 283; FR Y-11S (annual): 1,195

General description of report: This information collection is mandatory (12 U.S.C. §§ 1844(c)). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act [5 U.S.C. §§ 522(b)(4), (b)(6) and (b)(8)].

Abstract: The FR Y-11 reports collect financial information for individual U.S. nonbank subsidiaries of domestic bank holding companies (BHCs). BHCs file the FR Y-11 on a quarterly or annual basis according to filing criteria or file the FR Y-11S annually. The FR Y-11 data are used with other BHC data to assess the condition of BHCs that are heavily engaged in nonbanking activities and to monitor the volume,

nature, and condition of their nonbanking operations.

Current Actions: The Federal Reserve will raise the asset-size threshold for filing the quarterly FR Y-11 to make it consistent with the proposed filing threshold for reporting the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) and to further reduce reporting burden. The Federal Reserve also will (1) add one new equity capital component on the balance sheet for reporting partnership interests and (2) reclassify reporting of certain annuity sales revenue on the income statement. The Federal Reserve also will revise several balance sheet memoranda data items to capture securitization information on transactions involving assets other than loans. No revisions will be made to the content of the FR Y-11S; however, several respondents will shift to filing the FR Y-11S because of the proposed threshold revisions.

FR Y-11 Revisions Effective as of the March 31, 2006 Report Date

Filing Criteria

The Federal Reserve will revise the reporting criteria for the quarterly FR Y-11 to be consistent with the proposed threshold for the FR Y-9C and reduce reporting burden. Specifically, a BHC must file the FR Y-11 quarterly for its subsidiary if the subsidiary is owned or controlled by a top-tier BHC that files the FR Y-9C⁵ and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier BHC's consolidated equity capital; or (d) operating revenue of at least 5 percent of the top-tier BHC's consolidated operating revenue.

As currently required, a BHC must file the FR Y-11 for any nonbank subsidiary that satisfies the quarterly filing criteria for any quarter during the calendar year and must continue to report quarterly for the remainder of the calendar year even if the nonbank subsidiary no longer satisfies the requirements for quarterly reporting. The Federal Reserve will modify this reporting requirement to be more consistent with the FR Y-9C. The Federal Reserve will revise the reporting instructions for quarterly filers under Who Must Report to indicate that

if a nonbank subsidiary meets the criteria for quarterly filing as of June 30 of the preceding year, its BHC should begin reporting the FR Y-11 quarterly for the nonbank subsidiary beginning in March of the current year and continue to report for the entire calendar year. In addition, if a nonbank subsidiary meets the quarterly filing criteria due to a business combination, then the BHC would report the FR Y-11 quarterly beginning with the first quarterly report date following the effective date of the business combination. If a nonbank subsidiary subsequently does not meet the quarterly filing criteria for four consecutive quarters, then the BHC would revert to annual filing.

Schedule BS—Balance Sheet

The Federal Reserve will add a new data item, 18.e, General and limited partnership shares and interests, renumber current data item, 18.e, Other equity capital components, as data item 18.f., and renumber current data item 18.f, Total equity capital, as data item 18.g. Currently, the instructions for data item 18, Equity capital, directs subsidiaries that are not corporate in form (that is, those that do not have capital structures consisting of capital stock and the other components of equity capital currently listed under data item 18) to submit their entire net worth in data item 18.f, Total equity. The reporting form and the instructions for data item 18.f, Total equity, state that data item 18.f must equal the sum of the components of data item 18. However, equity capital of those entities not in corporate form cannot appropriately be reported in any of the components of data item 18. This new data item and clarifications to the instructions for data item 18 will remove this inconsistency and improve the accuracy of the information reported. In addition, the Federal Reserve will clarify that Schedule IS—A, Changes in Equity Capital, data item 6, Other adjustments to equity capital, should include contributions and distributions to and from partners or limited liability company (LLC) shareholders when the company is a partnership or a LLC. Schedule IS—A, data item 6 is a component of Schedule IS—A, data item 7, Total equity at end of current period. Schedule IS—A, data item 7 must equal Schedule BS, data item 18.g, Total equity.

Schedule BS—M—Memoranda

The Federal Reserve will expand the scope of data item 2.a. Number of loans in servicing portfolio, data item 2.b, Dollar amount of loans in servicing portfolio, and data item 3, Loans that

have been securitized and sold without recourse with servicing rights retained, to include assets other than loans. The captions and instructions for these data items will be revised to include other assets.

FR Y-11 Revisions Effective as of the March 31, 2007 Report Date

Schedule IS—Income Statement

The Federal Reserve will change the category of noninterest income in which nonbank subsidiaries submit income from certain sales of annuities from data item 5.a.(8), Insurance commissions and fees, to data item 5.a.(4), Investment banking, advisory, brokerage, and underwriting fees and commissions, to be consistent with the revision to the FR Y-9C. Currently, nonbank subsidiaries submit income from the sales of annuities and related commissions and fees in data item 5.a.(8). Since annuities are deemed to be financial investment products rather than insurance, the Federal Reserve will revise the instructions for data item 5.a.(8) and data item 5.a.(4) by moving the reference to annuities in the former data item to the latter data item. This change will be delayed until March 31, 2007.

3. Report title: Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations.

Agency form number: FR 2314 and FR 2314S.

OMB control number: 7100-0073.

Frequency: Quarterly and annually.

Reporters: Foreign subsidiaries of U.S. state member banks, bank holding companies, and Edge or agreement corporations.

Annual reporting hours: FR 2314 (quarterly): 4,800; FR 2314 (annual): 950; FR 2314S (annual): 255

Estimated average hours per response: FR 2314 (quarterly): 6.25; FR 2314 (annual): 6.25; FR 2314S (annual): 1.0

Number of respondents: FR 2314 (quarterly): 192; FR 2314 (annual): 152; FR 2314S (annual): 255

General description of report: This information collection is mandatory (12 U.S.C. §§ 324, 602, 625, and 1844). Confidential treatment is not routinely given to the data in these reports. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act [5 U.S.C. §§ 522(b)(4) (b)(6) and (b)(8)].

Abstract: The FR 2314 reports collect financial information for direct or indirect foreign subsidiaries of U.S. state member banks (SMBs), Edge and agreement corporations, and BHCs.

⁵ The Federal Reserve is proposing to raise the asset-size threshold for purposes of consolidated FR Y-9C reporting, the Small Bank Holding Company Policy Statement and the Capital Guidelines from \$150 million to \$500 million. In addition, a limited number of holding companies with assets less than \$500 million may be required to file the FR Y-9C because they meet certain conditions.

Parent organizations (SMBs, Edge and agreement corporations, or BHCs) file the FR 2314 on a quarterly or annual basis according to filing criteria or file the FR 2314S annually. The FR 2314 data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

Current Actions: The Federal Reserve will raise the asset-size threshold for filing the quarterly FR 2314 to make it consistent with the proposed filing threshold for reporting the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) and to further reduce reporting burden. The Federal Reserve will also (1) add one new equity capital component on the balance sheet for reporting partnership interests and (2) reclassify reporting of certain annuity sales revenue on the income statement. The changes in the reporting thresholds will have no immediate effect on the FR 2314 panel because there are currently no quarterly filers owned by parent organizations with assets less than \$500 million.

FR 2314 Revisions Effective as of the March 31, 2006 Report Date

Revisions to Filing Criteria

The Federal Reserve will revise the reporting criteria for the quarterly FR 2314 to be consistent with the proposed threshold for the FR Y-9C and reduce reporting burden. Specifically, a BHC must file the FR 2314 quarterly for its subsidiary if the subsidiary is owned or controlled by a parent U.S. BHC that files the FR Y-9C or a state member bank or an Edge or agreement cooperation that has total consolidated assets equal to or greater than \$500 million and the subsidiary has (a) total assets of \$1 billion or more, or (b) total off-balance-sheet activities of at least \$5 billion, or (c) equity capital of at least 5 percent of the top-tier organization's consolidated equity capital, or (d) operating revenue of at least 5 percent of the top-tier organization's consolidated operating revenue.

The criteria for filing the FR 2314 will be revised to maintain the consistency in the reporting criteria for nonbank subsidiary reports. Revising the quarterly reporting threshold for the FR 2314 filers will have no immediate effect on the panel because currently there are no quarterly filers owned by parent organizations with assets less

than \$500 million. However, the Federal Reserve believes that there may be a small number of additional FR 2314 reports filed for subsidiaries owned by a BHC that has assets under \$500 million and that files the FR Y-9C because they meet certain conditions.

As currently required, a parent organization must file the FR 2314 for any nonbank subsidiary that satisfies the quarterly filing criteria for any quarter during the calendar year and must continue to report quarterly for the remainder of the calendar year even if the nonbank subsidiary no longer satisfies the requirements for quarterly reporting. The Federal Reserve will modify this reporting requirement to be more consistent with the FR Y-9C. The Federal Reserve will revise the reporting instructions for quarterly filers under Who Must Report to indicate that if a nonbank subsidiary meets the criteria for quarterly filing as of June 30 of the preceding year, its parent organization should begin reporting the FR 2314 quarterly for the nonbank subsidiary beginning in March of the current year and continue to report for the entire calendar year. In addition, if a nonbank subsidiary meets the quarterly filing criteria due to a business combination, then the parent organization would report the FR 2314 quarterly beginning with the first quarterly report date following the effective date of the business combination. If a nonbank subsidiary subsequently does not meet the quarterly filing criteria for four consecutive quarters, then the parent organization would revert to annual filing.

Schedule BS—Balance Sheet

The Federal Reserve will add a new data item, 18.e, General and limited partnership shares and interests, renumber current data item, 18.e, Other equity capital components, as data item 18.f., and renumber current data item 18.f, Total equity capital, as data item 18.g. Currently, the instructions for data item 18, Equity capital, directs subsidiaries that are not corporate in form (that is, those that do not have capital structures consisting of capital stock and the other components of equity capital currently listed under data item 18) to submit their entire net worth in data item 18.f, Total equity. The reporting form and the instructions for data item 18.f, Total equity, state that data item 18.f must equal the sum of the components of data item 18. However, equity capital of those entities not in corporate form cannot appropriately be submitted in any of the components of data item 18. The new data item and clarifications to the instructions for data

item 18 will remove this inconsistency and improve the accuracy of the information submitted. In addition, the Federal Reserve will clarify that Schedule IS-A, Changes in Equity Capital, data item 6, Other adjustments to equity capital, should include contributions and distributions to and from partners or limited liability company (LLC) shareholders when the company is a partnership or a LLC. Schedule IS-A, data item 6 is a component of Schedule IS-A, data item 7, Total equity at end of current period. Schedule IS-A, data item 7 must equal Schedule BS, data item 18.f, Total equity.

FR 2314 Revisions Effective as of the March 31, 2007 Report Date

Schedule IS—Income Statement

The Federal Reserve will change the category of noninterest income in which nonbank subsidiaries submit income from certain sales of annuities from data item 5.a.(8), Insurance commissions and fees, to data item 5.a.(4), Investment banking, advisory, brokerage, and underwriting fees and commissions, to be consistent with the revision to the FR Y-9C. Currently, nonbank subsidiaries submit income from the sales of annuities and related commissions and fees in data item 5.a.(8). Since annuities are deemed to be financial investment products rather than insurance, the Federal Reserve will revise the instructions for data item 5.a.(8) and data item 5.a.(4) by moving the reference to annuities in the former data item to the latter data item. This change will be delayed until March 31, 2007.

Board of Governors of the Federal Reserve System, March 1, 2006.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. E6-3122 Filed 3-3-06; 8:45 am]

BILLING CODE 6210-01-S

FEDERAL RESERVE SYSTEM

Change in Bank Control Notices; Acquisition of Shares of Bank or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices