

have a GAAP disclosure requirement.” The Board recognizes the concern expressed by these commenters but has concluded there is no reason to depart from its current practice of permitting the FR-Y9C filers to request confidential treatment in individual cases, which requests may be granted if properly supported.

Furthermore, commenters suggested a materiality threshold based on a percentage of assets or Tier 1 capital. As a result, the Federal Reserve has reconsidered its position and recommends a significantly higher reporting criterion of \$10 billion in aggregate assets of all acquired entities during the quarter or 5 percent of the respondent’s consolidated assets as of the previous quarter-end, whichever is lower. Another commenter questioned whether separate schedules or a single, combined schedule for each transaction would be required. The Federal Reserve will modify the FR Y-9C instructions to clarify that only a single schedule will need to be completed with aggregated information for all entities acquired during the quarter.

Commenters also stated unique or discreet information may no longer be available, particularly for nonbanking organizations acquired by the respondent, may be misleading, and may reflect institutional differences in areas such as accounting principles. The Federal Reserve believes excluding information that involves a significant acquirer may substantially distort aggregate data for broad segments of the industry. When a BHC acquires a nonbanking organization, the number of items the proposal requires is dramatically reduced. For example, for an insurance company without investment securities gains or losses, the pretax items to be collected would be limited to noninterest income, noninterest expense, and personnel expenses. While the Federal Reserve concurs that institutional differences may exist, they should not detract from the substance of financial statements prepared according to GAAP.

The Federal Reserve believes that most firms have accounting systems in place, which are maintained up to the date before a business entity ceases to be a going concern. However, one commenter provided additional information on rare situations that could emerge when only a portion of a firm may be purchased and actual financial statements may not be readily available for the acquirer. As a result, the Federal Reserve will accept estimates in lieu of actual data in these difficult circumstances.

One banking organization cited that merger-related adjustments to data might not be disclosed in the proposed items. In response, the Federal Reserve will modify the instructions to give BHCs the flexibility to provide merger-adjusted data.

Revised Filing Method

On September 16, 2002, the Federal Reserve issued for public comment revision to the filing method for bank holding company reports (67 FR 58425). The comment period expired on November 15, 2002. The comments received are addressed in detail below.

The Federal Reserve received comment letters from two bank holding company (BHC) trade associations, one large BHC, five small BHCs, and two accounting firms. The large BHC and one BHC association expressed support of the proposal to require electronic submission of the FR Y-9 series of reports. However, they expressed some specific concerns regarding the statement that the Federal Reserve anticipates in the future requiring that electronic submission software include data editing capabilities. The Federal Reserve appreciates the comments received regarding potential data editing capabilities of computer software, and will take these comments into consideration when this issue is formally addressed in a separate proposal for public comment at a later date.

Several small BHCs and one BHC association cited the cost to purchase software to submit the FR Y-9SP report electronically as prohibitive, and requested that small BHCs either be exempted from the electronic filing requirement, or that the Federal Reserve provide the means to file the report over the Internet. As referenced in the initial notice, the Federal Reserve provided the option to file the FR Y-9SP via the Internet in 2001 by means of data entry or file submission, referred to as the Internet Electronic Submission (IESUB) application. Bank holding companies interested in learning more about IESUB submission options should contact their district Federal Reserve Bank or go to www.reportingandreserves.org for additional information.

One accounting firm requested that report submission software allow for the attachment of a compilation report for financial statements that they prepare for a third party. Submission of such a compilation report to the Federal Reserve is not a reporting requirement for BHC reports. Accounting firms may choose to have BHC clients maintain a hard copy of their compilation reports in the files of the BHC. Another

accounting firm requested that reporting software allow for submission of Excel spreadsheets for the FR Y-9SP report and possibly other FR-Y series reports. FR Y-9SP and FR Y-9ES filers currently have the ability to submit text files created by Excel spreadsheets through IESUB, and they should contact their district Federal Reserve Bank or go to www.reportingandreserves.org for procedures for submitting such spreadsheets and information on other submission options.

One small BHC requested that the Federal Reserve provide an email notification to remind the institution that the report date is approaching. Reserve Banks will continue to provide notification in the same manner currently provided to respondents of reporting deadlines, changes to reporting requirements, and any pertinent supplemental instructions prior to each report date.

Another small BHC indicated that it does not own a computer and wishes to continue to submit paper reports. As indicated above, the Federal Reserve provides respondents the option to file the FR Y-9SP via the Internet by means of data entry. Information may be submitted through public Internet access, or respondents may choose to make arrangements for data submission through a private software vendor. Also one small BHC asked if software could allow for electronic signatures; however, current Federal Reserve and vendor software do not possess this feature. The BHC is only required to keep a signed copy in its files to meet the signature requirement.

In considering these comments, the Federal Reserve will implement the revised filing method as proposed. BHCs will be required to electronically submit all FR Y-9 reports effective with the June 30, 2003, report date for FR Y-9C and FR Y-9 LP filers and December 31, 2003, report date for FR Y-9SP and FR Y-9ES filers. The Federal Reserve will no longer accept paper copy reports from BHCs as of these reporting dates.

Board of Governors of the Federal Reserve System, March 26, 2003.

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Deputy Secretary of the Board.

[FR Doc. 03-7728 Filed 3-31-03; 8:45 am]

BILLING CODE 6210-01-S