

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

July 11, 2003

**BANKING SUPERVISION AND REGULATION:
TRUST PREFERRED SECURITIES**

To Bank Holding Companies,
and Others Concerned,
in the Twelfth Federal Reserve District

Reporting Trust Preferred Securities (SR 03-13)

Recently, the Federal Reserve has become aware that Financial Accounting Standards Board Interpretation No. 46 (FIN 46) may have implications for how trust preferred securities are reported on bank holding companies' financial statements. In addition, Financial Accounting Standard 150 (FAS 150) issued earlier this year provides accounting guidance that reflects the reporting of trust preferred securities. Until form changes can be implemented to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C), organizations should continue to follow the form's current instructions for the reporting of trust preferred securities.

Accordingly, on FR Y-9C filings for June 30, 2003, bank holding companies should include these securities on Schedule HC-R, memoranda item 3.b., "Cumulative preferred stock (e.g., trust preferred securities) included and reported in 'Minority interest in consolidated subsidiaries and similar items,' on Schedule HC." Any common equity investment the organization has made in the trust issuing the preferred securities that is reported as an asset on the organization's FR Y-9C balance sheet must be netted from the amount of trust preferred securities reported in item 3.b.

Organizations should continue to include the trust preferred securities reported in item 3.b. in their tier 1 capital for regulatory capital purposes, subject, together with other cumulative preferred stock, to the 25 percent of tier 1 capital limit, until notice is given to the contrary. Accordingly, the amounts qualifying for inclusion in tier 1 capital should be reported in Schedule HC-R, item 6. For assistance in determining amounts to be reported in item 6, see the examples presented at the end of the instructions for Schedule HC-R.¹ The Federal Reserve will review the regulatory implications of any accounting treatment changes and, if necessary or warranted, will provide further appropriate guidance.

Bank holding companies are directed to disclose on the FR Y-9C "Notes to the Balance Sheet-Other" for June 30, 2003, the amount of trust preferred securities that are reported as liabilities in their financial statements prepared according to generally accepted accounting principles (GAAP).

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¹The reporting instructions for FR Y-9C and Schedule HC-R are on the Federal Reserve Board's website at http://www.federalreserve.gov/boarddocs/reportforms/forms/FR_Y-9C20030623_i.pdf

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the Board's notice **(SR 03-13)** are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about this matter, please contact our Banking Supervision and Regulation Department at (415) 974-2849.

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Cross References to Reporting Instructions:

http://www.federalreserve.gov/boarddocs/reportforms/forms/FR_Y-9C20030623_i.pdf