SENATE GENERAL ELECTION EXPENDITURE LIMITATIONS—2010 ELECTIONS—Continued

State	VAP (in thousands)	VAP × .02 × the price index (4.35110)	Senate Expenditure Limit (the greater of the amount in column 3 or $87,000)
Vermont	495	43,100	87,000
Virginia	6,035	525,200	525,200
Washington	5,095	443,400	443,400
West Virginia	1,433	124,700	124,700
Wisconsin	4,345	378,100	378,100
Wyoming	412	35,900	87,000

Contribution Limitations for Individuals, Non-Multicandidate Committees and for Certain Political Party Committees Giving to U.S. Senate Candidates for the 2009–2010 Election Cycle

For the convenience of the readers, the Commission is also republishing the contribution limitations for individuals, non-multicandidate committees and for certain political party committees giving to U.S. Senate candidates for the 2009–2010 election cycle:

Statutory provision	Statutory amount	2009–2010 Limitation
2 U.S.C. 441a(a)(1)(A)	$2,000	$2,400
2 U.S.C. 441a(a)(1)(B)	$25,000	$30,400
2 U.S.C. 441a(a)(3)(A)	$37,500	$45,600
2 U.S.C. 441a(a)(3)(B)	$57,500 (of which no more than $37,500 may be attributable to contributions to political committees that are not political committees of national political parties).	$69,900 (of which no more than $45,600 may be attributable to contributions to political committees that are not political committees of national political parties)
2 U.S.C. 441a(h)	$35,000	$42,600

Lobbyist Bundling Disclosure Threshold for 2010

The Act, as amended by HLOGA, requires certain political committees to disclose contributions bundled by lobbyists/registrants and lobbyist/registrant political action committees once the contributions exceed a specified threshold amount. The Commission must adjust this threshold amount annually to account for inflation. The disclosure threshold is increased by multiplying the $15,000 statutory disclosure threshold by 1.06418, the difference between the price index, as certified to the Commission by the Secretary of Labor, for the 12 months preceding the beginning of the calendar year and the price index for the base period (calendar year 2006). The resulting amount is rounded to the nearest multiple of $100. *See* 2 U.S.C. 434(i)(3)(A) and (B), 441a(c)(1)(B) and 11 CFR 104.22(g). Based upon this formula ($15,000 × 1.06418), the lobbyist bundling disclosure threshold for calendar year 2010 is $16,000, unchanged from 2009.

On behalf of the Commission.

Dated: February 19, 2010.

Matthew S. Petersen,

Chairman, Federal Election Commission.

[FR Doc. 2010–3688 Filed 2–23–10; 8:45 am]

BILLING CODE 6715–01–P

FEDERAL RESERVE SYSTEM

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

SUMMARY: *Background.* Notice is hereby given of the final approval of the proposed information collection 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 Paperwork Reduction Act Submission, 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: Federal Reserve Board Clearance Officer—Michelle Shore—Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202–452–3829).

OMB Desk Officer—Shagufta Ahmed—Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, Washington, DC 20503.

Final Approval Under OMB Delegated Authority of the Revision, Without Extension of the Following Report

1. *Report title:* Consolidated Financial Statements for Bank Holding Companies, Parent Company Only Financial Statements for Small Bank Holding Companies.

Agency form number: FR Y–9C, FR Y–9SP.

OMB control number: 7100–0128.

Frequency: FR Y–9C, quarterly; FR Y–9SP, semi-annually.

Reporters: Bank holding companies (BHCs).

Annual reporting hours: FR Y–9C, 162,602 hours; FR Y–9SP, 48,254 hours.

Estimated average hours per response: FR Y–9C, 41.65 hours; FR Y–9SP, 5.40 hours.

Number of respondents: FR Y–9C, 976; FR Y–9SP, 4,468.

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. 552(b)(4), (b)(6) and (b)(8)).

Abstract: The FR Y–9C and FR Y–9SP are standardized financial statements for the consolidated 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 Federal Financial Institutions Examination Council (FFIEC) 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 BHCs. The FR Y–9C is filed by top-tier BHCs with total consolidated assets of $500 million or more. (Under certain circumstances defined in the General Instructions, BHCs under $500 million may be required to file the FR Y–9C.)

The FR Y–9SP is a parent company only financial statement filed by smaller BHCs. Respondents include BHCs with total consolidated assets of less than $500 million. 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 13, 2008, the Federal Reserve published a notice in the **Federal Register** (73 FR 67159) requesting public comment for 60 days on the revision, without extension, of the FR Y–9C and FR Y–9 SP reports. The comment period for this notice expired on January 12, 2009. The Federal Reserve received two comment letters on this proposal addressing only changes proposed to the FR Y–9C report. In addition, six comment letters were received by the Federal Reserve, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency (the banking agencies) on proposed revisions to the Call Reports that parallel the proposed revisions to the FR Y–9C and are taken into consideration for this proposal. No comments were received on proposed changes to the FR Y–9SP.

The Federal Reserve received two comment letters on proposed revisions to the FR Y–9C: One from a bankers' organization (which also submitted comparable comments on proposed changes to the Call Report) and one from a bank consulting firm. In addition, the banking agencies received comment letters from six organizations: Two banks, one bank holding company, two bankers' organizations, and a bank insurance consultant on proposed changes to the Call Report that parallel proposed changes to the FR Y–9C, and are taken into consideration for this proposal. No comments were received on proposed changes to the FR Y–9SP.

None of the commenters addressed all of the aspects of the proposed changes to the FR Y–9C. Rather, individual comments addressed certain specific proposed changes. In two cases, commenters raised reporting matters that were not addressed in the Federal Reserve's proposal. The following is a summary of the general comments received on the proposed FR Y–9C revisions and on proposed changes to the Call Report that parallel proposed changes to the FR Y–9C.

One bankers' organization stated that it believed that the proposed revisions would provide additional information that would be useful for the assessment of risk. This organization expressed general agreement, on balance, with the proposed revisions, but also offered several suggested changes for consideration.[1] Another bankers' organization indicated its understanding of the need for more information on certain types of loans currently under stress, but noted that the proposed revisions would require many community banking institutions to submit significantly more data in their regulatory reports. This organization hoped that the increased staff time that would be needed to provide the proposed data would be offset by a reduction in on-site examination time through examiners' use of these data to better focus their examination priorities. In this regard, the intent in proposing the revisions to the FR Y–9C was to enhance risk-focused supervision, both from an off-site and an on-site perspective. The third bankers' organization commented on the amount of lead time necessary for institutions to implement systems changes to enable them to provide the requested additional data, recommending a minimum of three months between the publication of final revisions in the **Federal Register** and the effective date of the reporting changes.

Two commenters submitted comments on issues that were not addressed in the FR Y–9C proposal. One bank holding company sent a copy of separate correspondence that it had previously sent to three organizations suggesting a suspension of the accounting rules for other-than-temporary impairments on investment securities. By law, the accounting principles applicable to the FR Y–9C must be consistent with or, if certain conditions are met, no less stringent than generally accepted accounting principles (GAAP).[2] Therefore, the suggested suspension of accounting rules cannot be implemented for FR Y–9C reporting purposes.

One bank consulting firm recommended revising the FR Y–9C to require fee income to be reported separately from interest income, and to add a new data item for the fair value changes to interest revenue. As stated in the FR Y–9C instructions (and noted by the commenter), FASB Statement No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," generally prescribes that fees associated with lending activities should be deferred and recognized over the life of the related loan as an adjustment of yield (interest income). Thus, GAAP guidance does not require separate disclosure of fee income. Regarding the request for a new data item for fair value changes to interest income, the commenter mistakenly concluded that fair value option revaluations (net change in the

[1] One bank that is a member of this bankers' organization referred to the organization's comment letter and appeared to concur with the organization's comments, but also addressed one aspect of the proposal on which the bankers' organization did not specifically comment.

[2] *See* 12 U.S.C. 1831n(a).

fair values of interest-bearing financial assets) is included with interest and fee income on loans, and thus wanted this amount reported separately from interest and fee income. However, such fair value option revaluations are included in other noninterest income on the income statement, not as part of interest income and fees on loans. Accordingly, the Federal Reserve will not implement either of the commenter's suggested revisions.

After considering the comments received on the proposal, the Federal Reserve will move forward with the majority of the proposed revisions, with limited modifications in response to certain comments, on the phased-in basis as proposed. The Federal Reserve is continuing to evaluate certain other proposed revisions in light of the comments received thereon, and therefore will not implement these revisions until after it has fully reviewed the comments.[3]

The Federal Reserve recognizes institutions' need for lead time to prepare for reporting changes, which was the rationale for proposing the phased-in implementation schedule for 2009. The data items that will be new or revised effective March 31, 2009, are limited in number and most are linked to changes in GAAP or changes in regulation. For the March 31, 2009, report date, bank holding companies may provide reasonable estimates for any new or revised data item initially required to be reported as of that date for which the requested information is not readily available. This same policy on the use of reasonable estimates will apply to the reporting of other new or revised data items when they are first implemented effective June 30 or later.

Sections I and II of this memo identify the changes proposed to take effect March 31 and June 30, respectively; discuss the Federal Reserve's evaluation of the comments received on the proposed changes that the Federal Reserve will implement, as modified; and describe the proposed FR Y–9C revisions that will remain under review.

I. FR Y–9C Report Revisions Proposed for March 2009

The Federal Reserve and the other banking agencies received either supportive comments or no comments on the following revisions that were proposed to take effect as of March 31, 2009, and therefore the Federal Reserve will implement these revisions as proposed:

- New data items and revisions to existing data items on trading assets and liabilities,
- New data items associated with the U.S. Department of the Treasury (Treasury) Capital Purchase Program (CPP),[4]
- New data items and revisions to existing data items on regulatory capital requirements,
- Revisions to several FR Y–9C schedules in response to accounting changes applicable to noncontrolling (minority) interests in consolidated subsidiaries, and
- Instructional guidance on quantifying misstatements.

The Federal Reserve and other banking agencies received one or more substantive comments addressing each of the following proposed March 31, 2009, revisions:

- The addition of new data items in response to a revised accounting standard that will provide information on held-for-investment loans and leases acquired in business combinations,
- Clarifications of the definition of the term loan secured by real estate and of the instructions for reporting unused commitments, and
- Exemptions from reporting certain existing data items for bank holding companies with less than $1 billion in total assets.

The comments and the Federal Reserve's responses related to these proposed revisions are discussed below.

A. Loans and Leases Acquired in Business Combinations

Banking institutions must apply Statement of Financial Accounting Standards No. 141 (Revised), *Business Combinations* (FAS 141(R)), which was issued in December 2007, prospectively to business combinations for which the acquisition date is on or after the beginning of their first annual reporting period beginning on or after December 15, 2008. Thus, for banking institutions with calendar year fiscal years, FAS 141(R) will apply to business combinations with acquisition dates on or after January 1, 2009. Compared to current accounting practice, FAS 141(R) significantly changes the accounting for those loans and leases acquired in business combinations that will be held for investment.[5] In response to this accounting change, the Federal Reserve proposed to add new data items to the FR Y–9C loan and lease schedule (Schedule HC–C) that would mirror the acquisition-date disclosures required by FAS 141(R). These new data items would disclose the following information for four categories of loans (not subject to SOP 03–3) and leases that were acquired in each business combination that occurred during the year-to-date reporting period:

- The fair value of the loans and leases,
- The gross contractual amounts receivable, and
- The best estimate at the acquisition date of the contractual cash flows not expected to be collected.

The four categories of acquired held-for-investment loans (not subject to SOP 03–3) and leases are:

- Loans secured by real estate;
- Commercial and industrial loans;
- Loans to individuals for household, family, and other personal expenditures; and
- All other loans and all leases.

These new data items would be completed by banking institutions that have engaged in business combinations that must be accounted for in accordance with FAS 141(R) for transactions for which the acquisition date is on or after January 1, 2009. A banking institution that has completed one or more business combinations during the current calendar year would report these acquisition date data (as aggregate totals if multiple business combinations have occurred) in each FR Y–9C submission after the acquisition date during that year. The acquisition date data would not be reported in years after the year in which the acquisition occurs.

One bankers' organization stated that it concurred with the proposal to require these additional disclosures for loans (not subject to SOP 03–3) and leases acquired in business combinations that occurred during the reporting period. No other commenter addressed these proposed additional disclosures. Accordingly, the Federal Reserve will implement of these data items in the March 31, 2009, FR Y–9C, as proposed.

In the FR Y–9C proposal, the Federal Reserve stated that it was considering whether banking institutions that have engaged in FAS 141(R) business combinations should provide additional information in the FR Y–9C (beyond the disclosures described above) about acquired held-for-investment loans (not

[3] *See* section I.C of this notice on unused commitments, section II.B on past due and nonaccrual trading assets, and the portion of section II.C addressing the present value of unpaid premiums on sold credit protection.

[4] The Federal Reserve will also implement these new data items as proposed for the FR Y–9SP report, effective as of June 30, 2009.

[5] This change in accounting treatment does not apply to acquired held-for-investment loans within the scope of American Institute of Certified Public Accountants Statement of Position 03–3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* (SOP 03–3).

subject to SOP 03–3) and leases and the loss allowances established for them in periods after their acquisition. The proposal stated that the additional data items under consideration included the outstanding balance of these acquired loans and leases, their carrying amount, and the amount of allowances for post-acquisition credit losses on these loans and leases. The Federal Reserve indicated that this information would help the Federal Reserve as well as other report users to track management's judgments regarding the collectability of the acquired loans and leases in periods after the acquisition date and evaluate fluctuations in the level of the overall Allowance for Loan and Lease Losses (ALLL) as a percentage of the held-for-investment loan and lease portfolio in periods after a business combination. The Federal Reserve requested comment on the merits and availability of these post-acquisition loan and lease data and the period of time after a business combination that this information should be reported.

Two bankers' organizations commented on these additional loan and lease disclosures. One organization did not specifically address the merits of this information, stating only that if banking institutions were required to report these additional data, they should report it only through the end of the calendar year of the business combination. The second organization agreed with the first organization concerning the reporting period for these additional data. However, this organization also stated its belief that the post-acquisition data on acquired loans and leases would often not be available because acquired performing loans and leases would tend to be combined with, rather than segregated from, a banking institution's other performing loans and leases.

After considering these comments, the Federal Reserve will not add data items to the FR Y–9C for the outstanding balance of held-for-investment loans (not subject to SOP 03–3) and leases acquired in FAS 141(R) business combinations, their carrying amount, and the amount of allowances for post-acquisition credit losses on these loans and leases. The Federal Reserve will continue to monitor accounting and disclosure practices with respect to these acquired loans and leases and their post-acquisition allowances and assess their data needs in this area. Any future revisions to the FR Y–9C to collect data on acquired loans and leases and post-acquisition allowances will be subject to notice and comment.

B. Clarification of the Definition of Loan Secured by Real Estate

The Federal Reserve has found that the definition of a loan secured by real estate in the Glossary section of the FR Y–9C instructions has been interpreted differently by report preparers and users. This has led to inconsistent reporting of loans collateralized by real estate in the loan schedule (Schedule HC–C) and other schedules of the FR Y–9C that collect loan data. As a result, the Federal Reserve proposed to clarify the definition by explaining that the estimated value of the real estate collateral must be greater than 50 percent of the principal amount of the loan at origination in order for the loan to be considered secured by real estate. Banking institutions would apply this clarified definition prospectively and they need not reevaluate and recategorize loans that they currently report as loans secured by real estate into other loan categories on the FR Y–9C loan schedules.

One bankers' organization stated that it believes that the proposed definition of a loan secured by real estate is workable and provides additional clarity. One bank submitted examples involving loans with real estate as collateral and asked how they would be reported based on the revised definition. The Federal Reserve will implement the clarified definition of loan secured by real estate as proposed but, in response to this latter comment, also add examples to the definition to assist banking institutions in understanding how it should be applied.

C. Clarification of Instructions for Unused Commitments

Banking institutions report unused commitments in Schedule HC–L, data item 1. The instructions for this data item identify various arrangements that should be reported as unused commitments, including but not limited to commitments for which the banking institution has charged a commitment fee or other consideration, commitments that are legally binding, loan proceeds that the banking institution is obligated to advance, commitments to issue a commitment, and revolving underwriting facilities. However, some banking institutions have not reported commitments that they have entered into until they have signed the loan agreement for the financing that they have committed to provide. Although these arrangements are considered to be within the scope of the existing instructions for reporting commitments in Schedule HC–L, the instructions may not be sufficiently clear. Therefore, the Federal Reserve proposed to revise the instructions for Schedule HC–L, data item 1, Unused commitments, to more clearly and completely explain the arrangements that should be reported in this data item.

All three bankers' organizations submitting comments on the proposed FR Y–9C revisions specifically addressed the proposed instructional clarification pertaining to unused commitments. One organization agreed that clarification is needed, but recommended that commitments to issue a commitment in the future, including those entered into even though the related loan agreement has not yet been signed, should be removed from the list of types of arrangements that the instructions would direct banking institutions to report as unused commitments. The other two bankers' organizations also commented on the inclusion of this type of arrangement as an unused commitment. One organization expressed concern about reporting "commitments that contain a relatively high level of uncertainty until a loan agreement has been signed or the loan has been funded with a first advance" and the reliability of data on such commitments. The other organization stated that because some banking institutions do not have systems for tracking such arrangements, the instructions should in effect permit banking institutions to exclude commitment letters with an expiration date of 90 days or less. Finally, the first bankers' organization also recommended that the instructions for reporting unused commitments should state that amounts conveyed or participated to others that the conveying or participating banking institution is not obligated to fund should not be reported as unused commitments by the conveying or participating banking institution.

The Federal Reserve is continuing to evaluate these recommendations. As a consequence, the Federal Reserve will not revise the instructions for Schedule HC–L, data item 1, Unused commitments, effective March 31, 2009, as proposed, leaving the existing instructions for this Schedule HC–L data item to remain in effect. Once deliberations on these recommendations are concluded and a determination is made on whether and how to revise the instructions for reporting Unused commitments in Schedule HC–L, data item 1, these conclusions will be published in a separate **Federal Register** notice. If the instructions to Schedule HC–L, data item 1, are subsequently revised, the clarifications to these instructions would take effect no earlier than December 31, 2009.

D. Exemptions From Reporting for Certain Existing FR Y–9C

The Federal Reserve has identified certain data items for which the reported data are of lesser usefulness for banking institutions with less than $1 billion in total assets. Accordingly, the Federal Reserve proposed to exempt such banking institutions from completing the following data items effective March 31, 2009:

- Schedule HI, Memorandum item 12, Income from the sale and servicing of mutual funds and annuities (in domestic offices),
- Schedule HC–L, data item 2.a, Amount of financial standby letters of credit conveyed to others, and
- Schedule HC–L, data item 3.a, Amount of performance standby letters of credit conveyed to others.

One commenter, a bank insurance consultant, objected to the proposal to exempt banking institutions with less than $1 billion in total assets from reporting the data item, Income from the sale and servicing of mutual funds and annuities (in domestic offices), stating that this data item should be preserved in the regulatory reports. This commenter also stated that the proposal did not explain how the determination was made that the collection of this data item from banking institutions in this size range is of lesser usefulness. This commenter added that by eliminating the reporting of this income information for these banking institutions, "we will lose our sole window into community banks' mutual fund and annuity activities."

Memorandum item 12 was added to Schedule HI of the FR Y–9C in 1995. At that time, the Federal Reserve collected limited information on banking institutions' noninterest income. However, since 2001, the Federal Reserve has significantly expanded the amount of detailed information collected on noninterest income in recognition of the increasing importance of such income to banking institutions' earnings. As a result, all respondents, regardless of size, currently report the amount of Fees and commissions from securities brokerage and Fees and commissions from annuity sales in Schedule HI, data items 5.d.(1) and 5.d.(3), each quarter. Data item 5.d.(1) specifically includes income from the sale and servicing of mutual funds. Thus, in general, the income that a banking institution reports in Schedule HI, Memorandum item 12, will have been included in these two noninterest income data items in the body of Schedule HI. However, although the bank insurance consultant stated that as of "June 30, 2008, more banks with less than $1 billion in assets reported mutual fund and annuity income" than reported eight other types of noninterest income in the body of the income statement, the consultant did not provide comparative data for the number of such banks reporting "Fees and commissions from securities brokerage" or "Fees and commissions from annuity sales."

In addition, the Federal Reserve will continue to use the FR Y–9C to identify banking institutions that sell private label or third party mutual funds and annuities (Schedule HC–M, data item 15) as well as banking institutions managing assets held in proprietary mutual funds and annuities (Schedule HC–M, data item 16). Furthermore, FR Y–9C users have indicated that Schedule HI, Memorandum item 12, Income from the sale and servicing of mutual funds and annuities is regarded as being of lesser usefulness than the noninterest income data items with which it overlaps (data items 5.d.(1) and 5.d.(3) of Schedule HI). Accordingly, after considering the views expressed by the bank insurance consultant, the Federal Reserve believes that the existing income statement data items for Fees and commissions from securities brokerage and Fees and commissions from annuity sales are sufficient to meet ongoing needs for income data on these types of activities from banking institutions with less than $1 billion in total assets and recommends that such banking institutions should be exempt from separately reporting Income from the sale and servicing of mutual funds and annuities beginning March 31, 2009, as proposed.

The Federal Reserve received no comments specifically addressing the other data items for which banking institutions with less than $1 billion in assets would be exempt from continued reporting and the Federal Reserve will implement these exemptions as of March 31, 2009, as proposed.

II. FR Y–9C Revisions Proposed for June 2009

The Federal Reserve and other banking agencies received either supportive comments or no comments on the following revisions to the FR Y–9C that were proposed to take effect as of June 30, 2009, and therefore the Federal Reserve will implement these revisions as proposed:

- Holdings of collateralized debt obligations and other structured financial products by type of product and underlying collateral,
- Holdings of commercial mortgage-backed securities,
- Unused commitments with an original maturity of one year or less to asset-backed commercial paper conduits,
- Pledged loans and pledged trading assets,
- Collateral held against over-the-counter (OTC) derivative exposures by type of collateral and type of counterparty as well as the current credit exposure on OTC derivatives by type of counterparty (for banking institutions with $10 billion or more in total assets),
- Fair value measurements by level for asset and liability categories reported at fair value on a recurring basis (banking institutions that apply a fair value option, or are required to complete the FR Y–9C trading schedule), and
- Investments in real estate ventures.

The agencies received one or more substantive comments addressing each of the following proposed June 30, 2009, revisions:

- Real estate construction and development loans outstanding with capitalized interest and the amount of such interest included in income for the quarter (for banking institutions with construction and development loan concentrations),
- Past due and nonaccrual trading assets, and
- Credit derivatives by credit quality and remaining maturity and by regulatory capital treatment.

The comments and the Federal Reserve's responses related to these proposed revisions are discussed below.

A. Construction and Development Loans With Interest Reserves

In December 2006, the agencies issued final guidance on commercial real estate (CRE) loans, including construction, land development, and other land (C&D) loans, entitled *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (CRE Guidance).[6] This guidance was developed to reinforce sound risk management practices for institutions with high and increasing concentrations of commercial real estate loans on their balance sheets. It provides a framework for assessing CRE concentrations; risk management, including board and management oversight, portfolio management, management information systems, market analysis and stress testing, underwriting and credit risk review; and supervisory oversight, including CRE concentration

[6] 71 FR 74580, December 12, 2006.

management and an assessment of capital adequacy.

In issuing the CRE Guidance, the agencies noted that CRE concentrations had been rising over the past several years and had reached levels that could create safety and soundness concerns in the event of a significant economic downturn. As a consequence, the CRE Guidance explains that, as part of their ongoing supervisory monitoring processes, the agencies would use certain criteria to identify institutions that are potentially exposed to significant CRE concentration risk. Thus, the CRE Guidance states in part that an institution whose total reported C&D loans is approaching or exceeds 100 percent or more of the institution's total risk-based capital may be identified for further supervisory analysis of the level and nature of its CRE concentration risk. As of March 31, 2008, approximately 51 percent of all FR Y–9C respondents held C&D loans in excess of 100 percent of their total risk-based capital.

A practice that is common in C&D lending is the establishment of an interest reserve as part of the original underwriting of a C&D loan. The interest reserve account allows the lender to periodically advance loan funds to pay interest charges on the outstanding balance of the loan. The interest is capitalized and added to the loan balance. Frequently, C&D loan budgets will include an interest reserve to carry the project from origination to completion and may cover the project's anticipated sell-out or lease-up period. Although potentially beneficial to the lender and the borrower, the use of interest reserves carries certain risks. Of particular concern is the possibility that an interest reserve could disguise problems with a borrower's willingness and ability to repay the debt consistent with the terms and conditions of the loan agreement. For example, a C&D loan for a project on which construction ceases before it has been completed or is not completed in a timely manner may appear to be performing if the continued capitalization of interest through the use of an interest reserve keeps the troubled loan current. This practice can erode collateral protection and mask loans that should otherwise be reported as delinquent or in nonaccrual status.

Since the CRE Guidance was issued, market conditions have weakened, most notably in the C&D sector. As this weakening has occurred, examiners have been encountering C&D loans on projects that are troubled, but where interest has been capitalized inappropriately, resulting in overstated income and understated volumes of past due and nonaccrual C&D loans. Therefore, to assist in the monitoring of C&D lending activities at those banking institutions with a concentration of such loans, i.e., C&D loans (in domestic offices) that exceeded 100 percent of total risk-based capital as of the previous calendar year-end, the Federal Reserve proposed to add two new data items. First, banking institutions with such a concentration would report the amount of C&D loans (in domestic offices) included in the FR Y–9C loan schedule (Schedule HC–C) on which the use of interest reserves is provided for in the loan agreement. Second, these banking institutions would report the amount of capitalized interest included in the interest and fee income on loans during the quarter. These data, together with information that banking institutions currently report on the amount of past due and nonaccrual C&D loans, would assist in identifying respondents with C&D loan concentrations that may be engaging in questionable interest capitalization practices for supervisory follow-up.

One bank expressed agreement with concerns about the disguising of problems with a borrower's willingness and ability to repay the debt consistent with the terms and conditions of the loan agreement through the improper use of interest reserves on C&D loans. The bank also acknowledged that real estate market conditions have weakened in its market area since the agencies issued the CRE Guidance in December 2006. Although the bank stated that it has a concentration of C&D loans, as defined above, it reported that a recent review of its portfolio revealed that only a modest number of its C&D loan agreements included interest reserves. The bank also described its lending policies and controls over the approval of interest reserves in the original underwriting of a C&D loan and in the limited cases when the original loan had matured or was otherwise recast. It then stated that both the bank lender and its supervisory agency should focus their attention—and any regulatory reporting requirements—on situations when interest reserves are added to a loan after a development project is completed or "when a project goes over budget or otherwise has completion issues." With respect to the two proposed data items pertaining to C&D loans with interest reserves, the bank noted that its loan system does not currently capture the required data and adding this capability to the loan system by the proposed June 30, 2009, effective date would likely be difficult, which would mean that the data would have to be compiled manually until system changes are in place.

After further review, the Federal Reserve has decided it will not collect the two proposed items related to the use of interest reserves at this time.

B. Trading Assets That Are Past Due or in Nonaccrual Status

Currently, the FR Y–9C does not distinguish past due and nonaccrual trading assets from other assets on Schedule HC–N, Past Due and Nonaccrual Loans, Leases, and Other Assets. The Federal Reserve proposed to replace Schedule HC–N, data item 9, Debt securities and other assets, that are past due 30 days or more or in nonaccrual status with two separate data items: data item 9.a, Trading assets, and data item 9.b, All other assets (including available-for-sale and held-to-maturity securities). These data items would follow the existing three column breakdown on Schedule HC–N that respondents utilize to report assets past due 30 through 89 days and still accruing, past due 90 days or more and still accruing, and in nonaccrual status. Data item 9.a would include all assets held for trading purposes, including loans held for trading. Collection of this information would allow the Federal Reserve to better assess the quality of assets held for trading purposes, and generally enhance surveillance and examination planning efforts.

The Federal Reserve also proposed to expand the scope of Schedule HC–D, Trading Assets, Memorandum item 3, Loans measured at fair value that are past due 90 days or more, to include loans held for trading and measured at fair value that are in nonaccrual status. This change was intended to provide for more consistent treatment with the information that would be collected on Schedule HC–N and with the disclosure requirements in FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.*

One bankers' organization stated that it believed that disclosure requirements regarding the delinquency and nonaccrual status of trading securities is not particularly meaningful given that these securities are marked to market through earnings. As a consequence, credit risk is already incorporated into the market price of each trading security. The organization further stated that the nonaccrual concept traditionally has not been applied to trading securities, which makes the proposed reporting of such data costly and difficult to implement. Accordingly, this commenter recommended against adding the proposed disclosure requirements regarding the delinquency and nonaccrual status of trading securities.

The Federal Reserve is continuing to evaluate this commenter's recommendation. Therefore, the Federal Reserve will not implement the revisions to Schedule HC–N, data item 9, and Schedule HC–D, Memorandum item 3, effective June 30, 2009, as proposed. The Federal Reserve will retain the current data items while it considers the proposed reporting changes in light of this comment. Once deliberations on these proposed disclosure requirements are concluded and a determination is made on whether and how to proceed with them, these conclusions will be published in a separate **Federal Register** notice. If Schedule HC–N, data item 9, and Schedule HC–D, Memorandum item 3, are subsequently revised, these reporting changes would take effect no earlier than December 31, 2009.

C. Enhanced Information on Credit Derivatives

Effective for the March 2006 FR Y–9C, the Federal Reserve revised the information collected on credit derivatives in Schedules HC–L, Derivatives and Off-Balance Sheet Items, and HC–R, Regulatory Capital, to gain a better understanding of the nature and trends of banking institutions' credit derivative activities. Since that time, the volume of credit derivative activity in the banking industry, as measured by the notional amount of these contracts, increased steadily through March 31, 2008, rising to an aggregate notional amount of over $16 trillion as of that date. The aggregate notional amount has since declined slightly. Reported data further indicate that the credit derivative activity in the industry is highly concentrated in banking institutions with total assets in excess of $10 billion. For these banking institutions, credit derivatives function as a risk mitigation tool for credit exposures in their operations as well as a financial product that is sold to third parties for risk management and other purposes.

The Federal Reserve's safety and soundness efforts continue to place emphasis on understanding and assessing the role of credit derivatives in bank risk management practices. In addition, the Federal Reserve's monitoring of credit derivative activities at certain banking institutions has identified differences in interpretation as to how credit derivatives are treated under the Federal Reserve's risk-based capital standards. To further the Federal Reserve's safety and soundness efforts concerning credit derivatives and to improve transparency in the treatment of credit derivatives for regulatory capital purposes, the Federal Reserve proposed to revise the information pertaining to credit derivatives that is collected on Schedules HC–L, HC–N (Past Due and Nonaccrual Loans, Leases, and Other Assets), and HC–R.

In Schedule HC–L, data item 7, Credit derivatives, the Federal Reserve proposed to change the column A caption, Guarantor, to Sold Protection and the column B caption, Beneficiary, to Purchased Protection to eliminate confusion surrounding the meaning of Guarantor and Beneficiary that commonly occurs between the users and preparers of these data. The Federal Reserve also proposed to add a new data item 7.c to Schedule HC–L to collect information on the notional amount of credit derivatives by regulatory capital treatment. For credit derivatives that are subject to the Federal Reserve's market risk capital standards, the Federal Reserve proposed to collect the notional amount of sold protection and the amount of purchased protection. For all other credit derivatives, the Federal Reserve proposed to collect the notional amount of sold protection, the notional amount of purchased protection that is recognized as a guarantee under the risk-based capital guidelines, and the notional amount of purchased protection that is not recognized as a guarantee under the risk-based capital standards.

The Federal Reserve also proposed to add a new data item 7.d to Schedule HC–L to collect information on the notional amount of credit derivatives by credit rating and remaining maturity. The data item would collect the notional amount of sold protection broken down by credit ratings of investment grade and subinvestment grade for the underlying reference asset and by remaining maturities of one year or less, over one year through five years, and over five years. The same information would be collected for purchased protection.

In Schedule HC–N, the Federal Reserve proposed to change the scope of Memorandum item 6, Past due interest rate, foreign exchange rate, and other commodity and equity contracts, to include credit derivatives. The fair value of credit derivatives where the banking institution has purchased protection increased significantly to over $500 billion at March 31, 2008, as compared to below negative $10 billion at March 31, 2007. Thus, the performance of credit derivative counterparties has increased in importance. The expanded scope of Memorandum item 6 on Schedule HC–N would include the fair value of credit derivatives carried as assets that are past due 30 through 89 days and past due 90 days or more.

In Schedule HC–R the Federal Reserve proposed to change the scope of the information collected in Memorandum items 2.g.(1) and (2) on the notional principal amounts of Credit derivative contracts that are subject to risk-based capital requirements to include only (a) the notional principal amount of purchased protection that is defined as a covered position under the market risk capital guidelines and (b) the notional principal amount of purchased protection that is not a covered position under the market risk capital guidelines and is not recognized as a guarantee for risk-based capital purposes. The scope of Memorandum item 1, Current credit exposure across all derivative contracts covered by the risk-based capital standards, would be similarly revised to include the current credit exposure arising from credit derivative contracts that represent (a) purchased protection that is defined as a covered position under the market risk capital guidelines and (b) purchased protection that is not a covered position under the market risk capital guidelines and is not recognized as a guarantee for risk-based capital purposes. The Federal Reserve also proposed to add new Memorandum items 3.a and 3.b to Schedule HC–R to collect the present value of unpaid premiums on sold credit protection that is defined as a covered position under the market risk capital guidelines. Consistent with the information currently reported in Memorandum item 2.g, the Federal Reserve proposed to collect this present value information with a breakdown between investment grade and subinvestment grade for the rating of the underlying reference asset and with the same three remaining maturity breakouts.

No comments were received on any of the proposed reporting revisions pertaining to credit derivatives described above, except for a comment from a bankers' organization on the proposal to collect data on Schedule HC–R relating to the present value of unpaid premiums on sold credit protection that is defined as a covered position under the market risk capital guidelines. Accordingly, the Federal Reserve will implement all of the proposed credit derivative reporting changes—other than the proposed new Schedule HC–R data items for present value data—as of June 30, 2009, as proposed. With respect to the present value data, the bankers' organization requested clarification of the impact of this proposed reporting requirement on a banking institution's risk-based capital calculations. The Federal Reserve is continuing to consider this comment and the proposed collection of present value data for certain credit derivatives. Therefore, the Federal Reserve will not add Memorandum items 3.a and 3.b to Schedule HC–R to collect this present value information effective June 30, 2009, as proposed. Once deliberations on the comment and the proposed present value data items has been concluded, conclusions will be published in a separate **Federal Register** notice. If Memorandum items 3.a and 3.b are subsequently added to Schedule HC–R, this new reporting requirement would take effect no earlier than December 31, 2009.

Board of Governors of the Federal Reserve System, March 11, 2009.

Editorial Note: This document was received in the Office of the Federal Register on February 18, 2010.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 2010–3578 Filed 2–23–10; 8:45 am]

BILLING CODE 6210–01–P

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 also will be available for inspection at the office of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than March 10, 2010.

A. Federal Reserve Bank of Atlanta (Steve Foley, Vice President) 1000 Peachtree Street, N.E., Atlanta, Georgia 30309:

1. Richard T. Alger; the Richard T. Alger Revocable Trust; Richard T. Alger, trustee; and the Mason W. Alger and Dorothy Turner Alger Irrevocable Trust for Thomas M. Alger; Richard T. Alger, trustee; John Alger and Carla Alger, all of Homestead, Florida; to acquire voting shares of Hometown of Homestead Banking Company, and thereby indirectly acquire voting shares of 1st National Bank of South Florida, both of Homestead, Florida.

B. Federal Reserve Bank of Minneapolis (Jacqueline G. King, Community Affairs Officer) 90 Hennepin Avenue, Minneapolis, Minnesota 55480–0291:

1. David Tychman, Seattle, Washington; individually and as trustee of eight Tychman/Sanders family trusts', to retain voting shares of The Tysan Corporation, Minneapolis, Minnesota. The trustees of one or more of nine Tychman/Sanders family trusts (James Sanders, Plymouth, Minnesota, Deera Tychman, Edina, Minnesota, Judith Shapiro, Saint Louis Park, Minnesota, and David Tychman, Seattle, Washington), for retroactive permission for the nine trusts to join the Tychman/Sanders group which controls 25 percent or more of The Tysan Corporation, Minneapolis, Minnesota, and includes 17 other Tychman/Sanders family trusts. The Tysan Corporation controls Lake Community Bank, Long Lake, Minnesota, Pine Country Bank, Little Falls, Minnesota, and Blaine State Bank, Blaine, Minnesota.

Board of Governors of the Federal Reserve System, February 18, 2010.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 2010–3540 Filed 2–23–10; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The applications also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at *www.ffiec.gov/nic/*.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than March 19, 2010.

A. Federal Reserve Bank of Kansas City (Todd Offenbacker, Assistant Vice President) 1 Memorial Drive, Kansas City, Missouri 64198–0001:

1. Aslin Group, Inc, Mission Hills, Kansas; Aslin Opportunity Fund BK, LP, Cape Haze, Florida; and Aslin Capital I, LLC, Cape Haze, Florida; all to become bank holding companies through the acquisition of 100 percent of the voting shares of 1st Financial Bank, Overland Park, Kansas.

Board of Governors of the Federal Reserve System, February 19, 2010.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 2010–3652 Filed 2–23–10; 8:45 am]

BILLING CODE 6210–01–S

DEPARTMENT OF DEFENSE

GENERAL SERVICES ADMINISTRATION

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[OMB Control No. 9000–0096]

Federal Acquisition Regulation; Submission for OMB Review; Patents

AGENCY: Department of Defense (DOD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

ACTION: Notice of request for comments regarding an extension to an existing OMB clearance.

SUMMARY: Under the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the Regulatory Secretariat will be submitting to the Office of Management and Budget (OMB) a request to review and approve an extension of a previously approved information collection requirement concerning patents. A request for public