

W 7825a

FEDERAL RESERVE BANK
OF NEW YORK

February 27, 1976

Reports of Income and Condition to be Fully Consolidated

*To the Chief Executive Officers of All
State Member Banks in the Second
Federal Reserve District with Assets of
\$300 Million or More:*

Our Circular No. 7790, dated January 6, 1976, announced changes in the "universal" reports of income and condition, together with new large-bank supplements to those reports, effective March 31, 1976. Filing of the universal reports will be (a) quarterly for the Report of Condition for all banks, (b) quarterly for the Report of Income for banks with \$300 million or more in total domestic and foreign assets, and (c) semiannually for the Report of Income for smaller banks. The explanation accompanying Circular No. 7790 did not require a change in the level of consolidation with respect to domestic and foreign offices from previous requirements. The revised statements were to be basically "domestic" office consolidations (with "foreign" offices reflected only in single net entries). Fully consolidated foreign and domestic reports were to be required only in the "publisher's copy," i.e., the face of the Report of Condition.

The Federal bank regulatory agencies have now agreed to shift in 1976 to fully consolidated foreign-domestic statements as the main reporting and disclosure documents. As part of such a shift, the agencies will also require subsidiary reports and schedules to provide those breakdowns between domestic and foreign offices and/or operations that are needed to meet the agencies' regulatory and supervisory needs.

Report of Income

A number of banks with "foreign" offices have asked the agencies to make the fully consolidated basis for the Report of Income effective for the first Report of Income due in 1976. Since this change would also serve the needs of the regulatory agencies, they have modified the previously announced reporting requirements to require the Report of Income on a fully consolidated, line-by-line, basis beginning with the first reports due for 1976 — that is, the Report of Income covering the first quarter of the year for banks with assets of \$300 million or more.

In this fully consolidated format, each individual item of income and expense would reflect not only the operations of "domestic" offices and subsidiaries (as defined in the Instructions) but also the operations of "foreign" offices, which are defined to include Edge and Agreement corporations, foreign branches, foreign subsidiaries, and branches in Puerto Rico and U.S. territories and possessions. This shift to a fully consolidated basis has required minor modifications in the format of the income statement previously sent to you, but the "bottom line" net income figure is identical in the two formats. Banks with no foreign offices will also use the new format for reporting domestic office income. A copy of the new format will be forwarded to you soon.

If your bank has foreign offices and if submission of the fully consolidated Report of Income for the first quarter of 1976 would pose special problems for your bank, please bring this promptly to the attention of Patrick Kildoyle, Economist, of our Banking Studies Department (Tel. No. 212-791-5904).

(Over)

Report of Condition

The Report of Condition to be submitted by all banks for March 31, 1976 will be as described previously for domestic offices only. The formats for the fully consolidated foreign and domestic condition report with appropriate schedules will not be introduced until later in the year. Until then, the "publisher's copy" of the Report of Condition will continue to be a fully consolidated statement and will serve as a companion report to the fully consolidated Report of Income.

* * *

There will also be introduced later in the year supplemental reports to the income and the condition report providing those breakdowns by foreign and domestic offices and/or foreign and domestic operations that are appropriate for the needs of the agencies.

PAUL A. VOLCKER,
President.