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The Institute's mission is to help resolve the many special legislative, regulatory and tax issues confronting **internationally headquartered** financial institutions that engage in banking, securities and/or insurance activities in the United States.

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**INSTITUTE MEETS WITH U.S., INTERNATIONAL REGULATORS ON KEY BASEL II HOME/
HOST-COUNTRY IMPLEMENTATION ISSUES**

As a follow-up to our ongoing series of conference calls with Nicholas Le Pan, Chairman of the Basel Committee's Accord Implementation Group, the Institute will take part in a meeting with Mr. Le Pan and the other members of the AIG on June 8th to discuss key Basel Capital home-host implementation issues for international banks with U.S. operations. As previously reported, the Institute and other international banking associations also met with representatives of the U.S. bank regulatory agencies on May 25th to discuss issues and concerns relating to U.S. implementation of Basel II. (Institute submissions and related documents are available on the Institute's web site at www.iib.org/member/Basel-Capital/).

**INSTITUTE HOLDS CONFERENCE CALL WITH FinCEN ON POTENTIAL REPORTING
REQUIREMENTS FOR CROSS-BORDER WIRE TRANSFERS**

The Institute and a working group of member bank representatives held a conference call in mid-April with officials at Treasury's Financial Crimes Enforcement Network to provide our collective comments on FinCEN's survey seeking information about the feasibility and impact of potential reporting requirements for cross-border wire transfers. As a member of the Treasury Department's Bank Secrecy Act Advisory Group (BSAAG), the Institute also participated in the BSAAG's April 26th subcommittee meeting on this important matter. (Institute memoranda and related documents on this issue are available at www.iib.org/member/Anti-Money.) FinCEN has indicated that it is seeking to finalize the Congressionally-mandated study of the feasibility and impact of a cross-border wire transfer reporting requirement under the Bank Secrecy Act after receiving input from the federal banking regulators who are currently reviewing the study with regard to the feasibility of collecting such data from financial institutions.

**INSTITUTE TO SUBMIT COMMENT LETTER ON REVISED PROPOSED GUIDANCE ON
COMPLEX STRUCTURED FINANCE ACTIVITIES**

The Institute will submit a comment letter to the federal banking agencies and the SEC on a revised proposed statement on the complex structured finance activities of financial institutions. A preliminary draft was circulated to member institutions on June 5th, following the Institute's May 19th conference call on this subject. Reflecting earlier comments by the Institute and others, the agencies modified their original proposed statement, issued in May 2004, to make it more "principles-based" and focused on transactions that may pose heightened levels of legal or reputational risk to a financial institution. Consistent with the Institute's July 2004 submission on the agencies' original proposal, the new comment letter will focus principally on issues unique to international banks and will also note a number of other points of clarification raised by our members. (The Institute's earlier submission and related memoranda are available at <http://www.iib.org/member/Other-Regs/>).

**INSTITUTE PLANS FOLLOW-UP MEETING WITH FEDERAL RESERVE REGARDING
INTERNATIONAL BANK DAYLIGHT OVERDRAFT/DEDUCTIBLE ISSUE**

The Institute plans to hold a follow-up meeting with Federal Reserve staff later this summer regarding our concerns with the differential in intra-day overdraft limits and deductibles for domestic versus international banks. As previously reported, several of the Institute's member banks invited the Fed to visit their payment operations for a first-hand view of the delays in payments resulting from efforts to minimize overdrafts that exceed the deductible. The on-site visits have been completed and the Fed staff is now in the process of reviewing their findings. (Institute submissions and related documents on this issue are available at <http://www.iib.org/member/Other-Regs/>.)

INSTITUTE TO MEET WITH FEDERAL RESERVE BANK OF NEW YORK TO DISCUSS REPORTING REQUIREMENTS ON FORMS FR Y-7 AND FR Y-10F

The Institute has arranged for a delegation of interested member banks to meet with the staff of the Federal Reserve Bank of New York on June 20th to discuss special issues presented for international banks by current reporting requirements on the Federal Reserve's Forms FR Y-7 and FR Y-10F. The Federal Reserve is proposing to make a number of technical changes to the forms, and to combine a number of related forms, including the FR Y-10F, the FR Y-10 (the domestic bank counterpart to the FR Y-10F) and the FR Y-10S (a form that collects data on SEC reporting status and CUSIP numbers) into a single FR Y-10. (See Institute Memorandum dated May 15, 2006 and related documents in the member area of our web site at www.iib.org/member/FRY-7).

INSTITUTE CONTINUES DISCUSSIONS WITH TREASURY AND IRS IN OUR EFFORT TO ACHIEVE PARITY OF IFRS AND OTHER NON-U.S. GAAP STANDARDS WITH U.S. GAAP UNDER PROPOSED SAFE HARBOR FOR MARK-TO-MARKET SECURITIES VALUATIONS

Reflecting our continued serious concerns about the discriminatory treatment of internationally headquartered financial institutions under the recently issued proposed IRS regulations for valuing securities positions (including derivatives and currencies) for purposes of the "mark-to-market" rules under section 475, the Institute has arranged to meet with Treasury Under Secretary (Domestic Finance) Randal Quarles on this important issue later this month in Washington. (Institute memoranda, submissions and related documents on this issue are available at <http://www.iib.org/member/Other-Matters/>.)

As previously reported, the exclusion of nearly all internationally headquartered financial institutions from the safe harbor will expose these institutions to significant additional compliance costs and audit risks, and will place those institutions in a disadvantaged position compared to their U.S.-based competitors. We believe that it also raises "national treatment" and fairness issues, and runs counter to efforts to harmonize IFRS and U.S. GAAP.

The proposed regulations would allow dealers (and electing traders) in securities, commodities and derivatives to treat the values of positions reported on certain financial statements as the fair market value of those positions for purposes of the mark-to-market rules of section 475 (the "book/tax conformity safe harbor"). While the proposed book/tax conformity safe harbor is a welcome development, as currently proposed it will not be available to many U.S. branches of foreign banks and to foreign-based dealers in respect of their global dealing activities because it requires that those institutions have U.S. GAAP financial statements. This condition is NOT satisfied by those institutions that merely file with the SEC a reconciliation to U.S. GAAP, and therefore, nearly every major financial institution that books a portion of its global dealing positions outside its U.S. broker-dealer will face problems under the proposed regulations.

INSTITUTE'S ANNUAL TAX SEMINAR ON JUNE 22-23 TO COVER KEY ISSUES AND DEVELOPMENTS AFFECTING INTERNATIONAL BANKS

The Institute's annual seminar on U.S. taxation of international banks (June 22-23) will provide a detailed and authoritative review of the key tax issues and developments affecting internationally headquartered banking/financial institutions operating in the United States. Hal Hicks, the Treasury Department's International Tax Counsel, will be the keynote luncheon speaker on Thursday, June 22nd. In addition to his remarks, topics to be covered at the seminar will include: financial/tax accounting; federal audit controversy developments; Reg §1.882-5/OECD capital allocation; Reg §475/global dealing/transfer pricing; multistate/NYS/NYC tax developments; new financial products; structured products (CDOs/CLOs/CDSs); and information reporting and withholding. (See related article in *Institute News*.)