



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT

December 9, 1985

DALLAS, TEXAS 75222

Circular 85-144

TO: The Chief Executive Officer of all
state member banks, bank holding
companies and others concerned in the
Eleventh Federal Reserve District

SUBJECT

A proposal on capital adequacy guidelines

DETAILS

The Board of Governors of the Federal Reserve System has issued for public comment a proposal that would define as primary capital perpetual debt securities issued by state member banks and bank holding companies.

In addition, comment also is requested on whether a limit should be imposed on the combined amount of mandatory convertible instruments, perpetual preferred stock, and perpetual debt that could qualify as primary capital.

Because the treatment of perpetual debt as primary capital would allow banking institutions to substitute another capital instrument for common stockholders' equity, the Board is seeking additional comment on whether the proposed treatment would, in fact, strengthen the capital positions of banking institutions.

Any views or comments concerning the proposal should be submitted in writing to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, D.C., 20551, no later than January 17, 1986. All materials submitted should refer to Docket No. R-0557.

ATTACHMENTS

The Board's press release and the material as published in the Federal Register are attached.

MORE INFORMATION

Questions pertaining to the Board's capital adequacy guidelines should be directed to the following Supervision and Regulation Department personnel:

State Member Banks: Marvin C. McCoy (214) 651-6657
William C. Reddick, Jr. (214) 651-6652

Bank Holding Companies: Ann Worthy (214) 651-6259

Sincerely yours,

William H. Wallace