



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

December 16, 1994

DALLAS, TEXAS  
75265-5906

**Notice 94-129**

**TO:** The Chief Executive Officer of each state member bank and bank holding company in the Eleventh Federal Reserve District

**SUBJECT**

**Recommendations Pertaining to Regulatory  
Capital Issues Arising from Financial Accounting  
Standards Board Statement No. 115**

**DETAILS**

The Task Force on Supervision of the Federal Financial Institutions Examination Council (FFIEC), acting under delegated authority, has announced its recommendations to the agencies pertaining to regulatory capital issues arising from FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

**ATTACHMENT**

A copy of the FFIEC's press release dated November 10, 1994, is attached.

**MORE INFORMATION**

For more information, please contact Dorsey Davis at (214) 922-6051. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

*Robert D. McTeer, Jr.*



## Press Release

(REVISED)

For immediate release

November 10, 1994

The Task Force on Supervision of the Federal Financial Institutions Examination Council (FFIEC),<sup>1</sup> acting under delegated authority, announced today its recommendations to the agencies pertaining to regulatory capital issues arising from FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115).

The Task Force on Supervision is recommending to the agencies that the net unrealized holding gains (losses) on available-for-sale debt securities not be included in regulatory capital for purposes of computing the leverage and risk-based capital ratios. Accordingly, when calculating these ratios, the amortized cost rather than the fair value of available-for-sale debt securities generally would be used. With regard to equity securities that have readily determinable fair values, the Task Force on Supervision recommends that they continue to be valued at the lower of cost or fair value for regulatory capital purposes.

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<sup>1</sup> The FFIEC consists of representatives from the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) (referred to as the "agencies"), and the National Credit Union Administration. The Task Force on Supervision is comprised of staff members from each of the agencies. The recommendations in this press release are not directed to credit unions.

Furthermore, the Task Force on Supervision recommends that examiners continue their longstanding practice of considering any unrealized appreciation and depreciation on debt and equity securities not recognized in capital ratios when evaluating the adequacy of an institution's capital. These recommendations would continue the interim capital treatment that the FRB, FDIC, and OCC adopted when FAS 115 became effective. These recommendations, however, would represent a reversal of the interim OTS policy issued in August 1993 to follow FAS 115 in computing savings associations' regulatory capital.

The Chairman of the FFIEC, FDIC Chairman Ricki Tigert strongly endorsed the recommendations of the Supervision Task Force. She said, "Cooperation among bank regulatory agencies in assuring consistency in capital standards and regulatory practices is essential to a sound and efficient banking system." With respect to the Task Force's recommendations on FAS 115 she stated, "Incorporating FAS 115 into regulatory capital standards would cause unnecessary volatility in applying capital standards for purposes of prompt corrective action without any appreciable benefits to the safety and soundness of the banking system."

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