

AT 10528

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

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J. ANDREW SPINDLER
SENIOR VICE PRESIDENT

March 31, 1992

TO THE CHIEF EXECUTIVE OFFICER OF EACH STATE MEMBER BANK AND
BANK HOLDING COMPANY IN THE SECOND FEDERAL RESERVE DISTRICT

In February, the Financial Accounting Standards Board (FASB) issued a new standard on accounting for income taxes -- FASB Statement No. 109. While this standard does not have to be adopted until fiscal year 1993, the FASB has encouraged its early adoption, and some banking organizations may be planning to do so as early as the first quarter of 1992.

Under this new standard, deferred tax assets could include amounts that were not recognizable under generally accepted accounting principles in the past and could have a significant impact on the capital ratios of some banking organizations. This matter is under consideration by the Federal Reserve.

Accordingly, until this review is completed and further guidance issued, State member banks and bank holding companies should not adopt FASB Statement No. 109 for regulatory reporting and capital adequacy purposes. State member banks and bank holding companies should continue, for regulatory reporting and capital adequacy purposes, to recognize deferred tax assets on the same basis as they have in the past (i.e., in accordance with Accounting Principles Board Opinion No. 11 or FASB Statement No. 96).

Questions or comments on this matter may be directed to Manuel J. Schnaidman, Manager, Bank Analysis Department (212-720-6710), Ethan M. Heisler, Financial Specialist, Bank Analysis Department (212-720-5583), or myself.

Yours sincerely,

