

**FEDERAL RESERVE BANK
OF NEW YORK**

AT-10812(b)
December 11, 1995

**Adoption of Generally Accepted Accounting Principles
for the Purpose of Regulatory Reporting**

*To All State Member Banks and Bank Holding Companies
in the Second Federal Reserve District, and Others Concerned:*

Printed on the reverse side is a statement issued by the Federal Financial Institutions Examination Council (FFIEC) approving the adoption of generally accepted accounting principles (GAAP) as the reporting basis for financial institutions to follow in submitting Reports of Condition and Income to their regulatory agencies, effective with the March 1997 report date. Questions regarding this matter may be directed to Sarah Dahlgren, Manager, Bank Analysis Department (Tel. No. 212-720-7537).

CHRISTINE M. CUMMING,
Senior Vice President

(Over)

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

The Examination Council announced that it has approved the adoption of generally accepted accounting principles (GAAP) as the reporting basis for the balance sheet, income statement, and related schedules in the bank Reports of Condition and Income (Call Report), effective with the March 1997 report date. Adopting GAAP as the reporting basis in the basic schedules of the Call Report will eliminate existing differences between bank regulatory reporting standards and GAAP such as the accounting treatment of assets sold with recourse, futures, forwards, and option contracts, netting on the balance sheet, and excess servicing fees.

The Examination Council's action will bring bank regulatory reporting into conformity with the GAAP reporting basis already used for savings association Thrift Financial Reports and Federal Reserve bank holding company FR-Y Reports. This uniform reporting basis is consistent with the objectives of Section 307(b) of the Riegle Community Development and Regulatory Improvement Act of 1994, which requires the federal banking agencies to work jointly to develop a single form for the filing of core information by banks, savings associations, and bank holding companies. The adoption of GAAP also will result in greater consistency in the information collected in regulatory reports and general purpose financial statements. Furthermore, the Examination Council believes that adopting GAAP will reduce the reporting burden as well as any confusion on the part of users about differences in the reporting principles governing regulatory reports and financial statements.

As GAAP does not require the disclosure of all of the information needed by the federal banking agencies and does not address all of the agencies' supervisory concerns, institutions would still have to report, in supplemental schedules and items, some information needed for supervisory and other purposes. For example, supplemental information would be needed for supervisory monitoring, for the calculation of capital and other supervisory ratios and limits, for deposit insurance assessments, and for monetary policy purposes. Furthermore, over the coming months the agencies will consider whether any actions, such as amendments to regulatory capital guidelines, should be taken to address the supervisory concerns underlying the differences between regulatory reporting standards and GAAP. Moreover, the Examination Council and the agencies will continue when necessary to issue specific reporting guidance that falls within the range of acceptable practice under GAAP (for example, as is currently the case for the allowance for loan and lease losses), and each agency will retain existing authority to require an institution to report a transaction in regulatory reports in accordance with the agency's interpretation of GAAP.