DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

[No. 97-3]

Capital and Accounting Standards

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice.

SUMMARY: Pursuant to the reporting requirements of Section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), we have submitted our report to the Chairman and ranking minority member of the Committee on Banking, Housing and Urban Affairs of the Senate and the Chairman and ranking minority member of the Committee on Banking and Financial Services of the House of Representatives identifying the differences between the capital and accounting standards used by the office of Thrift Supervision (OTS) and the capital and accounting standards used by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance

Corporation (FDIC) and the Board of Governors of, the Federal Reserve System (FRB)(collectively, the banking agencies).

Our report contains two attachments. Attachment I, "Summary of Differences in Capital Standards," identifies and explains the reasons for differences in the OTS capital standards and those of the other banking agencies. Attachment II, "Summary of Differences in Accounting Practices," identifies and explains the reasons for the major differences between OTS and the other banking agencies in supervisory reporting practices that affect their respective capital standards.

Despite some differences, the capital and accounting rules of OTS generally parallel those of the banking agencies (collectively, the "agencies"). Many of the differences result from either statutory requirements (e.g., deduction of investment in subsidiaries engaged in activities impermissible for national banks) or historical differences between the banking and thrift industries (e.g., investment authorities, mutual form of organization).

Moreover, the agencies continue to work together to minimize their current differences and to ensure that the new rules and policies they adopt are consistent and result in a uniform national banking policy. The agencies frequently issue joint regulatory and policy documents in working toward the general goal of interagency consistency set forth in Section 303 of the Reigle Community Development and Regulatory Improvement Act of 1994 (CDRIA).

Today's report reflects differences as of September 30, 1996. It indicates how these differences will be resolved, in accordance with the agencies' Joint Report: Streamlining of Regulatory Requirements (Sept. 23, 1996) (Joint Report).

Furthermore, the OTS requires that savings associations follow generally accepted accounting principles (GAAP) for regulatory reports. This complies with the requirement of section 121(a) of FDICIA that the accounting principles applicable to reports or statements filed with OTS be consistent with GAAP.

The OTS capital standards comply with the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), including the general requirement that the capital standards applicable to savings associations be no less stringent than those applicable to national banks.

EFFECTIVE DATE: [Insert date of publication in Federal Register.]

FOR FURTHER INFORMATION CONTACT: John Connolly, Senior Program Manager for Capital Policy, (202) 906-6465, Supervision Policy; or Timothy J. Stier, Chief Accountant, (202) 906-5699, Accounting Policy, Supervision, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:

ATTACHMENT I

SUMMARY OF DIFFERENCES IN CAPITAL STANDARDS

FDICIA requires a report to Congress on the differences in the capital standards for banks and savings associations. Below is a summary of the differences.

A. Major Differences

1. Interest-Rate Risk Component

Interest-Rate Risk Component: The OTS has adopted a final rule incorporating an interest-rate risk component into its risk-based capital requirements. Under the rule, institutions with an above-normal level of interest-rate risk will be subject to a capital charge commensurate with their risk exposure. Institutions have been submitting their interest-risk data and receiving a report on their interest-risk exposure under the OTS

ATTACHMENT IS AVAILABLE UPON REQUEST

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