Office of Thrift Supervision
Department of the Treasury
Director
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RESCINDED

August 16, 1993

Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

TO THE CHIEF EXECUTIVE OFFICERS OF SAVINGS ASSOCIATIONS:

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115) was issued in May 1993. SFAS No. 115 requires that most debt and equity securities be reported at fair value, rather than at amortized cost, except where there is a positive intent and ability to hold the securities to maturity. Accordingly, upon adoption of SFAS No. 115, any unrealized gains and losses on those securities will be included in capital under generally accepted accounting principles (GAAP), and therefore in equity capital in the Thrift Financial Report (TFR).

Most savings associations will be required to adopt SFAS No. 115 in 1994. However, under the early adoption provisions of SFAS No. 115, savings associations may adopt the Standard as early as June 30, 1993, depending on their fiscal year-end.

In June 1993, revisions were made to the TFR instructions to facilitate adoption of SFAS No. 115. However, at that time, due to ongoing discussions among the Federal banking agencies, the regulatory capital treatment of SFAS No. 115 unrealized gains and losses was not addressed.

On August 10, the OTS and the other Federal banking agencies announced their intention to propose amendments to their respective capital adequacy guidelines and regulations to include unrealized gains and losses pursuant to SFAS No. 115 in regulatory capital.

The OTS expects to initiate a rulemaking on this matter shortly by publishing a proposed rule in the Federal Register. Pending adoption of a final rule, savings associations may adopt the provisions of SFAS No. 115 early and include unrealized gains and losses in regulatory

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capital. Thus, on an interim basis, there will be no required regulatory capital adjustments in the TFR for any SFAS No. 115 unrealized gains and losses included in equity capital. Savings associations are cautioned, however, that this regulatory capital treatment of unrealized gains and losses is subject to change. After consideration of any comments it receives and after consultation with the other Federal banking agencies on this matter, OTS will issue a final rule that could differ from the guidance contained in this letter.

Sincerely,

Jonathan L. Fiechter
Acting Director