Communications Commission, (202) 418–0447.

Federal Communications Commission.

OMB Control No.: 3060–0253.
Expiration Date: 04/30/2001.
Title: Part 68 - Connection of Telephone Equipment to the Telephone Network (Sections 68.106, 68.108, 68.110).
Form Number: Not applicable.
Estimated Annual Burden: 3,270 hours; 0.057 hour (average) per respondent; 57,540 respondents.
Description: These collections are designed to prevent harm to the telephone network when customer-provided equipment is connected to telephone company lines and assures that customers will not overload the telephone lines with excessive equipment which would degrade service to the customers and others. Telephone companies and persons connecting certain equipment to the network are the affected public.
OMB Control No.: 3060–0320.
Expiration Date: 04/30/2001.
Title: Section 73.1350 - Transmission System Operation.
Form Number: Not applicable.
Estimated Annual Burden: 209 hours; 0.5 hour per respondent; 417 respondents.
Description: Section 73.1350 requires licensees of broadcast stations to notify the Commission whenever a transmission system control point is established at a location other than the main studio or transmitter. The data is used by FCC staff to maintain operating information regarding licensees in the event that FCC field staff needs to contact a station about interference.
OMB Control No.: 3060–0627.
Expiration Date: 04/30/2001.
Title: Application for AM Broadcast Station License.
Form Number: FCC 302–AM.
Estimated Annual Burden: 4,400 hours; 12.57 hours (average) per response; 350 respondents.
Description: FCC 302–AM is used by licensees when applying for a new or modified station license, and/or to notify the Commission of certain changes in the licensed facilities of these stations. The data is used by FCC staff to confirm that the station has been built to terms specified in the outstanding construction permit. Data is then extracted for inclusion in the subsequent license to operate the station.
OMB Control No.: 3060–0634.
Expiration Date: 04/30/2001.
Title: Section 73.691 - Visual Modulation Monitoring.
Form Number: Not applicable.
Estimated Annual Burden: 70 hours; 1 hour per response; 35 respondents (2 notifications per respondent).
Description: Section 73.691 requires TV stations to enter into the station log the date and time of initial technical problems that make it impossible to operate TV station in accordance with timing and carrier level tolerance requirements. If variance will exceed 10 days, notification must be sent to FCC. Notification must also be sent to FCC upon restoration of normal operations. Data is used by FCC staff to maintain technical information about station operation in the event a complaint is received from the public regarding station operations.

Federal Communications Commission.

William F. Caton,

Deputy Secretary.

[FR Doc. 98–11100 Filed 4–24–98; 8:45 am]

BILLING CODE 6712–01–F

FEDERAL COMMUNICATIONS COMMISSION

[Report No. 2270]

Petitions for Reconsideration and Clarification of Action in Rulemaking Proceeding

April 21, 1998.

Petitions for reconsideration and clarification have been filed in the Commission's rulemaking proceedings listed in this Public Notice and published pursuant to 47 CFR 1.429(e). The full text of these documents are available for viewing and copying in Room 239, 1919 M Street, N.W., Washington, D.C. or may be purchased from the Commission's copy contractor, ITS, Inc., (202) 857–3800. Oppositions to these petitions must be filed May 12, 1998. See § 1.4(b)(1) of the Commission's rule (47 CFR 1.4(b)(1)). Replies to an opposition must be filed within 10 days after the time for filing oppositions has expired.

Subject: Streamlining Broadcast EEO Rules and Policies, Vacating the EEO Forfeiture Policy Statement and Amending Section 1.80 of the Commission's Rules To Include EEO Forfeiture Guidelines (CC Docket No. 96–16)

Number of Petitions Filed: 1.

Subject: Implementation of Section 703(e) of the Telecommunications Act of 1996; Amendment of the Commission's Rules and Policies Governing Pole Attachments (CC Docket 97–151).

Number of Petitions Filed: 9.

Federal Communications Commission.

William F. Caton,

Deputy Secretary.

[FR Doc. 98–11011 Filed 4–24–98; 8:45 am]

BILLING CODE 6712–01–M

FEDERAL DEPOSIT INSURANCE CORPORATION

Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies; Report to Congressional Committees

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Report to the Committee on Banking and Financial Services of the U.S. House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate Regarding Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies.

SUMMARY: This report has been prepared by the FDIC pursuant to Section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)). Section 37(c) requires each federal banking agency to report to the Committee on Banking and Financial Services of the House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the Senate any differences between any accounting or capital standard used by such agency and any accounting or capital standard used by any other such agency. The report must also contain an explanation of the reasons for any discrepancy in such accounting and capital standards and must be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Robert F. Storch, Chief, Accounting Section, Division of Supervision, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, D.C. 20429, telephone (202) 898–8906.

SUPPLEMENTARY INFORMATION: The text of the report follows:

Report to the Committee on Banking and Financial Services of the U.S. House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate Regarding Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies

A. Introduction

This report has been prepared by the Federal Deposit Insurance Corporation (FDIC) pursuant to Section 37(c) of the Federal Deposit Insurance Act, which requires the agency to submit a report to specified Congressional Committees describing any differences in regulatory

capital and accounting standards among the federal banking and thrift agencies, including an explanation of the reasons for these differences. Section 37(c) also requires the FDIC to publish this report in the **Federal Register**. This report covers differences existing during 1997 and developments affecting these differences.

The FDIC, the Board of Governors of the Federal Reserve System (FRB), and the Office of the Comptroller of the Currency (OCC) (hereafter, the banking agencies) have substantially similar leverage and risk-based capital standards. While the Office of Thrift Supervision (OTS) employs a regulatory capital framework that also includes leverage and risk-based capital requirements, it differs in several respects from that of the banking agencies. Nevertheless, the agencies view the leverage and risk-based capital requirements as minimum standards and most institutions are expected to operate with capital levels well above the minimums, particularly those institutions that are expanding or experiencing unusual or high levels of risk.

The banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have developed uniform Reports of Condition and Income (Call Reports) for all commercial banks and FDIC-supervised savings banks. Effective with the March 31, 1997, report date, the FFIEC and the banking agencies adopted generally accepted accounting principles (GAAP) as the reporting basis for the balance sheet, income statement, and related schedules in the Call Report. Prior to 1997, the reporting standards for the bank Call Report were substantially consistent with GAAP. In the limited number of cases where the bank Call Report standards differed from GAAP, the regulatory reporting requirements were intended to be more conservative than GAAP. Adopting GAAP as the reporting basis for recognition and measurement purposes in the basic schedules of the Call Report was designed to eliminate these differences, thereby producing greater consistency in the information collected in bank Call Reports and general purpose financial statements and reducing regulatory burden.

The OTS requires each savings association to file the Thrift Financial Report (TFR), the reporting standards for which are consistent with GAAP. Thus, through year-end 1996, the reporting standards applicable to the bank Call Report differed in some respects from the reporting standards applicable to the TFR. However, with the banking agencies' move to GAAP for Call Report purposes in 1997, the most significant differences in reporting standards among the agencies that were cited in previous reports have been eliminated.[1]

Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4803) requires the banking agencies and the OTS to conduct a systematic review of their regulations and written policies in order to improve efficiency, reduce unnecessary costs, and eliminate inconsistencies. It also directs the four agencies to work jointly to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The results of these efforts must be ''consistent with the principles of safety and soundness, statutory law and policy, and the public interest.'' The four agencies' efforts to eliminate existing differences among their regulatory capital standards as part of the Section 303 review are discussed in the following section.

B. Differences in Capital Standards Among the Federal Banking and Thrift Agencies

B.1. Minimum Leverage Capital

The banking agencies have established leverage capital standards based upon the definition of Tier 1 (or core) capital contained in their risk-based capital standards. These standards require the most highly-rated banks (i.e., those with a composite rating of ''1'' under the Uniform Financial Institutions Rating System (UFIRS)) to maintain a minimum leverage capital ratio of at least 3 percent if they are not anticipating or experiencing any significant growth and meet certain other conditions. All other banks must maintain a minimum leverage capital ratio that is at least 100 to 200 basis points above this minimum (i.e., an absolute minimum leverage ratio of not less than 4 percent).

The OTS has a 3 percent core capital and a 1.5 percent tangible capital leverage requirement for savings associations. However, the OTS' Prompt Corrective Action rule requires a savings association to have a 4 percent leverage capital ratio (or a 3 percent leverage capital ratio if it is rated a composite ''1'' under the UFIRS) in order for the association to be considered ''adequately capitalized.'' Consequently, the 4 percent leverage capital ratio is, in effect, the controlling leverage capital standard for savings associations other than those rated a composite ''1.''

As a result of the agencies' Section 303 review of their regulatory capital standards, the agencies issued a proposal for public comment on October 27, 1997, that, among other provisions, would establish a uniform leverage requirement. As proposed, institutions rated a composite 1 under the Uniform Financial Institutions Rating System would be subject to a minimum 3 percent leverage ratio and all other institutions would be subject to a minimum 4 percent leverage ratio. This change would simplify and streamline the agencies' leverage rules and make them uniform. The comment period for the proposal ended on December 26, 1997.

B.2. Interest Rate Risk

Section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991 mandates that the agencies' risk-based capital standards take adequate account of interest rate risk. In August 1995, each of the banking agencies amended its capital standards to specifically include an assessment of a bank's interest rate risk, as measured by its exposure to declines in the economic value of its capital due to changes in interest rates, in the evaluation of bank capital adequacy. In June 1996, the banking agencies issued a Joint Agency Policy Statement on Interest Rate Risk which provides guidance on sound practices for managing interest rate risk. This policy statement does not establish a standardized measure of interest rate risk nor does it create an explicit capital charge for interest rate risk. Instead, the policy statement identifies the standards that the banking agencies will use to evaluate the adequacy and effectiveness of a bank's interest rate risk management.

In 1993, the OTS adopted a final rule which adds an interest rate risk component to its risk-based capital standards. Under this rule, savings associations with a greater than normal interest rate exposure must take a deduction from the total capital available to meet their risk-based capital requirement. The deduction is equal to one half of the difference between the institution's actual measured exposure and the normal level of exposure. The OTS has partially implemented this rule by formalizing the review of interest rate risk; however, no deductions from capital are being made. As described above, the approach adopted by the banking agencies differs from that of the OTS.

[1] In the following areas, differences in reporting standards between the banking agencies and the OTS were eliminated in 1997: sales of assets with recourse, futures and forward contracts, excess servicing fees, offsetting of assets and liabilities, and in-substance defeasance of debt.

B.3. Subsidiaries

The banking agencies generally consolidate all significant majority-owned subsidiaries of the parent bank for regulatory capital purposes. The purpose of this practice is to assure that capital requirements are related to all of the risks to which the bank is exposed. For subsidiaries which are not consolidated on a line-for-line basis, their balance sheets may be consolidated on a pro-rata basis, bank investments in such subsidiaries may be deducted entirely from capital, or the investments may be risk-weighted at 100 percent, depending upon the circumstances. These options for handling subsidiaries for purposes of determining the capital adequacy of the parent bank provide the banking agencies with the flexibility necessary to ensure that institutions maintain capital levels that are commensurate with the actual risks involved.

Under the OTS' capital guidelines, a statutorily mandated distinction is drawn between subsidiaries engaged in activities that are permissible for national banks and subsidiaries engaged in ''impermissible'' activities for national banks. For regulatory capital purposes, subsidiaries of savings associations that engage only in permissible activities are consolidated on a line-for-line basis, if majority-owned, and on a pro rata basis, if ownership is between 5 percent and 50 percent. For subsidiaries that engage in impermissible activities, investments in, and loans to, such subsidiaries are deducted from assets and capital when determining the capital adequacy of the parent.

B.4. Servicing Assets and Intangible Assets

The banking agencies' rules permit mortgage servicing assets and purchased credit card relationships to count toward capital requirements, subject to certain limits. These two categories of assets are in the aggregate limited to 50 percent of Tier 1 capital. In addition, purchased credit card relationships alone are restricted to no more than 25 percent of an institution's Tier 1 capital. Any mortgage servicing assets and purchased credit card relationships that exceed these limits, as well as all other intangible assets such as goodwill and core deposit intangibles, are deducted from capital and assets in calculating an institution's Tier 1 capital.

The OTS's capital treatment of servicing assets and intangible assets is generally consistent with the banking agencies' rules. However, the OTS rule grandfathers core deposit intangibles acquired before February 1994 up to 25 percent of core capital and all purchased mortgage servicing rights acquired before February 1990.

B.5. Capital Requirements for Recourse Arrangements

B.5.a. Leverage Capital Requirements—With certain exceptions, the banking agencies required full leverage capital charges on assets sold with recourse through December 31, 1996. This leverage capital treatment applied to most assets sold with recourse because the banking agencies' pre-1997 regulatory reporting rules generally did not permit such assets to be removed from a bank's balance sheet. As a result, assets sold with recourse were included in the asset base used to calculate a bank's leverage capital ratio.

As a result of the adoption of GAAP as the reporting basis for bank Call Reports in 1997, banks have now joined savings associations in being able to remove assets transferred with recourse from their balance sheets if the transfers qualify for sale treatment under GAAP. Thus, banks, like savings associations, are not required to hold leverage capital against assets sold with recourse and this difference in capital standards was eliminated in 1997.

B.5.b. Senior-Subordinated Structures—Some asset securitization structures involve the creation of senior and subordinated classes of securities. When a bank originates such a transaction and retains the subordinated interest, the banking agencies generally require that the bank maintain risk-based capital against the entire amount of the asset pool unless the low-level recourse rule applies.[2] However, when a bank acquires a subordinated interest in a pool of assets that it did not own, the banking agencies assign the investment in the subordinated security to the 100 percent risk weight category.

In general, the OTS requires a thrift that holds the subordinated interest in a senior-subordinated structure to maintain capital against the entire amount of the underlying asset pool regardless of whether the subordinated interest has been retained or has been purchased.

On November 5, 1997, the banking and thrift agencies issued a proposal that, among other provisions, generally would treat both retained and purchased subordinated interests similarly for risk-based capital purposes, i.e., banks and thrifts would be required to hold capital against the subordinated interest plus all more senior interests unless the low-level recourse rule applies. The proposal also includes a multi-level approach to capital requirements for asset securitizations. The multi-level approach would vary the risk-based capital requirements for positions in securitizations, including subordinated interests, according to their relative risk exposure. For positions that are traded, the risk-based capital treatment would be based on credit ratings from nationally recognized rating agencies. For positions that are not traded, the proposal presents three alternative approaches for determining the risk-based capital requirements. In general, these alternative approaches would use ratings from two rating agencies, benchmark guidelines developed by the banking and thrift agencies, and statistical evaluations of historical loss data. The comment period for the proposal ended on February 3, 1998.

B.5.c. Recourse Servicing—The right to service loans and other financial assets may be retained when the assets are sold. This right also may be acquired from another entity. Regardless of whether servicing rights are retained or acquired, recourse is present whenever the servicer must absorb credit losses on the assets being serviced. The banking agencies and the OTS require risk-based capital to be maintained against the full amount of assets upon which a selling institution, as servicer, must absorb credit losses. Additionally, the OTS applies a capital charge to the full amount of assets being serviced by a thrift that has purchased the servicing from another party and is required to absorb credit losses on the assets being serviced.

The agencies' November 1997 risk-based capital proposal would require banking organizations that purchase loan servicing rights which provide loss protection to the owners of the serviced loans to begin to hold capital against those loans, thereby making the risk-based capital treatment of these servicing rights uniform for banks and savings associations.

B.6. Collateralized Transactions

The FRB and the OCC assign a zero percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government or the central governments of countries that are members of the Organization of

[2] When assets are sold with limited recourse, the banking and thrift agencies' risk-based capital standards limit the amount of capital that must be maintained against this exposure to the lesser of the amount of the recourse retained (e.g., through the retention of a subordinated interest) or the amount of risk-based capital that would otherwise be required to be held against the assets, i.e., the full effective risk-based capital charge. This is known as the ''low-level recourse'' rule.

Economic Cooperation and Development (OECD), provided a positive margin of collateral protection is maintained daily.

The FDIC and the OTS assign a 20 percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government or OECD central governments.

As part of the Section 303 review of their capital standards, the banking and thrift agencies issued a joint proposal in August 1996 that would permit collateralized claims that meet criteria that are uniform among all four agencies to be eligible for a zero percent risk weight. In general, this proposal would allow institutions supervised by the FDIC and the OTS to hold less capital for transactions collateralized by cash or U.S. or OECD government securities. The proposal would eliminate the differences among the agencies regarding the capital treatment of collateralized transactions.

B.7. Presold Residential Construction Loans

The four agencies assign a 50 percent risk weight to loans that a builder has obtained to finance the construction of one-to-four family residential properties. These properties must be presold, and the lending relationship must meet certain other criteria. The OTS and the OCC rules indicate that the property must be presold before the construction loan is made in order for the loan to qualify for the 50 percent risk weight. The FDIC and FRB permit loans to builders for residential construction to qualify for the 50 percent risk weight once the property is presold, even if that event occurs after the construction loan has been made.

As a result of their Section 303 review, the agencies' previously mentioned October 27, 1997, regulatory capital proposal includes a provision under which the OTS and the OCC would adopt the treatment of presold residential construction loans followed by the FDIC and the FRB. This would make the agencies' rules in this area uniform.

B.8. Junior Liens on One-to-Four Family Residential Properties

In some cases, a bank may make two loans on a single residential property, one secured by a first lien, the other by a second lien. In this situation, the FRB and the OTS view both loans as a single extension of credit secured by a first lien and assign the combined loan amount a 50 percent risk weight if this amount represents a prudent loan-to-value ratio. If the combined amount exceeds a prudent loan-to-value ratio, the loans are assigned to the 100 percent risk weight category. The FDIC also combines the first and second liens to determine the appropriateness of the loan-to-value ratio, but it applies the risk weights differently than the FRB and the OTS. If the combined loan amount represents a prudent loan-to-value ratio, the FDIC risk weights the first lien at 50 percent and the second lien at 100 percent; otherwise, both liens are risk-weighted at 100 percent. This combining of first and second liens is intended to avoid possible circumvention of the capital requirement and to capture the risks associated with the combined loans.

The OCC treats all first and second liens separately. It assigns the loan secured by the first lien, if it has been prudently underwritten, to the 50 percent risk weight category; otherwise, it assigns the loan to the 100 percent risk weight category. In all cases, the OCC assigns the loan secured by the second lien to the 100 percent risk weight category.

As a result of the Section 303 review of their capital standards, the agencies' October 27, 1997, proposal would extend the OCC's treatment of junior liens on one-to-four family residential properties to all four agencies and thereby eliminate this difference among the agencies.

B.9. Mutual Funds

The banking agencies assign the entire amount of a bank's holdings in a mutual fund to the risk category appropriate to the highest risk asset that a particular mutual fund is permitted to hold under its operating rules. Thus, the banking agencies take into account the maximum degree of risk to which a bank may be exposed when investing in a mutual fund because the composition and risk characteristics of the fund's future holdings cannot be known in advance. In no case, however, may a risk-weight of less than 20 percent be assigned to an investment in a mutual fund.

The OTS applies a capital charge appropriate to the riskiest asset that a mutual fund is actually holding at a particular time, but not less than 20 percent. In addition, both the OTS and the OCC guidelines also permit, on a case-by-case basis, investments in mutual funds to be allocated on a pro rata basis. However, the OTS and the OCC apply the pro rata allocation differently. While the OTS applies the allocation based on the actual holdings of the mutual fund, the OCC applies it based on the highest amount of holdings the fund is permitted to hold as set forth in its prospectus.

As part of the agencies' Section 303 review of their regulatory capital standards, one provision of their October 27, 1997, proposal would apply the banking agencies' treatment of mutual funds to all institutions. However, the proposal also would permit institutions, at their option, to adopt the OCC's pro rata allocation alternative for risk weighting investments in mutual funds. This proposal would make the agencies' risk-based capital rules in this area uniform, thereby eliminating this capital difference.

B.10. Noncumulative Perpetual Preferred Stock

Under the banking and thrift agencies' capital standards, noncumulative perpetual preferred stock is a component of Tier 1 capital. The FDIC's capital standards define noncumulative perpetual preferred stock as perpetual preferred stock where the issuer has the option to waive the payment of dividends and where the dividends so waived do not accumulate to future periods and do not represent a contingent claim on the issuer. Under the FRB's capital standards, perpetual preferred stock is noncumulative if the issuer has the ability and legal right to defer or eliminate preferred dividends. For these two agencies, for a perpetual preferred stock issue to be considered noncumulative, the issue may not permit the accruing or payment of unpaid dividends in any form, including the form of dividends payable in common stock. Thus, if the issuer of perpetual preferred stock is required to pay dividends in a form other than cash when cash dividends are not or cannot be paid, the issuer does not have the option to waive or eliminate dividends and the stock would not qualify as noncumulative. The OCC's capital standards do not explicitly define noncumulative perpetual preferred stock, but the OCC normally has not considered perpetual preferred stock issues with this type of dividend requirement to be noncumulative.

The OTS defines as noncumulative those issues of perpetual preferred stock where the unpaid dividends are not carried over to subsequent dividend periods. This definition does not address the issuer's ability to waive dividends. As a result, the OTS has permitted perpetual preferred stock issues that require the payment of dividends in the form of stock in the issuer when cash dividends are not paid to qualify as noncumulative.

B.11. Limitation on Subordinated Debt and Limited-Life Preferred Stock

Consistent with the Basle Accord, the banking agencies limit the amount of subordinated debt and intermediate-term preferred stock that may be treated as part of Tier 2 capital to an amount not to exceed 50 percent of Tier 1 capital. In addition, all maturing capital instruments must be discounted by 20 percent in each of the last five years before maturity. The banking agencies adopted this approach in order to emphasize equity versus debt in the assessment of capital adequacy.

The OTS has no limitation on the ratio of maturing capital instruments as part of Tier 2 capital. Also, for all maturing instruments issued on or after November 7, 1989 (those issued before are grandfathered with respect to the discounting requirement), thrifts have the option of using either (a) the discounting approach used by the banking regulators, or (b) an approach which allows for the full inclusion of all such instruments provided that the amount maturing in any one year does not exceed 20 percent of the thrift's total capital.

B.12. Privately-Issued Mortgage-Backed Securities

The banking agencies, in general, place privately-issued mortgage-backed securities in either the 50 percent or 100 percent risk-weight category, depending upon the appropriate risk category of the underlying assets. However, privately-issued mortgage-backed securities, if collateralized by government agency or government-sponsored agency securities, are generally assigned to the 20 percent risk weight category.

The OTS assigns privately-issued high-quality mortgage-related securities to the 20 percent risk weight category. These are, generally, privately-issued mortgage-backed securities with AA or better investment ratings.

B.13. Other Mortgage-Backed Securities

The banking agencies and the OTS automatically assign to the 100 percent risk weight category certain mortgage-backed securities, including interest-only strips, principal-only strips, and residuals. However, once the OTS' interest rate risk amendments to its risk-based capital standards take effect, stripped mortgage-backed securities will be reassigned to the 20 percent or 50 percent risk weight category, depending upon these securities' characteristics. Residuals will remain in the 100 percent risk weight category.

B.14. Nonresidential Construction and Land Loans

The banking agencies assign loans for nonresidential real estate development and construction purposes to the 100 percent risk weight category. The OTS generally assigns these loans to the same 100 percent risk category. However, if the amount of the loan exceeds 80 percent of the fair value of the property, the excess portion is deducted from capital.

B.15. ''Covered Assets''

The banking agencies generally place assets subject to guarantee arrangements by the FDIC or the former Federal Savings and Loan Insurance Corporation in the 20 percent risk weight category. The OTS places these ''covered assets'' in the zero percent risk-weight category.

B.16. Pledged Deposits and Nonwithdrawable Accounts

Instruments such as pledged deposits, nonwithdrawable accounts, Income Capital Certificates, and Mutual Capital Certificates do not exist in the banking industry and are not addressed in the banking agencies' capital standards.

The OTS' capital standards permit savings associations to include pledged deposits and nonwithdrawable accounts that meet OTS criteria, Income Capital Certificates, and Mutual Capital Certificates in regulatory capital.

B.17. Agricultural Loan Loss Amortization

In the computation of regulatory capital, those banks accepted into the agricultural loan loss amortization program pursuant to Title VIII of the Competitive Equality Banking Act of 1987 may defer and amortize certain losses related to agricultural lending that were incurred on or before December 31, 1991. These losses must be amortized over seven years. The unamortized portion of these losses is included as an element of Tier 2 capital under the banking agencies' risk-based capital standards.

Thrifts were not eligible to participate in the agricultural loan loss amortization program established by this statute.

Because the banking agencies' agricultural loan loss amortization program ends on December 31, 1998, this difference will disappear on that date.

C. Differences in Accounting Standards Among the Federal Banking and Thrift Agencies

C.1. Push Down Accounting

Push down accounting is the establishment of a new accounting basis for a depository institution in its separate financial statements as a result of a substantive change in control. Under push down accounting, when a depository institution is acquired in a purchase (but not in a pooling of interests), yet retains its separate corporate existence, the assets and liabilities of the acquired institution are restated to their fair values as of the acquisition date. These values, including any goodwill, are reflected in the separate financial statements of the acquired institution as well as in any consolidated financial statements of the institution's parent.

The banking agencies require push down accounting when there is at least a 95 percent change in ownership. This approach is generally consistent with accounting interpretations issued by the staff of the Securities and Exchange Commission.

The OTS requires push down accounting when there is at least a 90 percent change in ownership.

C.2. Negative Goodwill

Under Accounting Principles Board Opinion No. 16, ''Business Combinations,'' negative goodwill arises when the fair value of the net assets acquired in a purchase business combination exceeds the cost of the acquisition and a portion of this excess remains after the values otherwise assignable to the acquired noncurrent assets have been reduced to zero.

The banking agencies require negative goodwill to be reported as a liability on the balance sheet and do not permit it to be netted against goodwill that is included as an asset. This ensures that all goodwill assets are deducted in regulatory capital calculations consistent with the internationally agreed-upon Basle Accord.

The OTS permits negative goodwill to offset goodwill assets on the balance sheet.

Dated at Washington, D.C., this 21th day of April, 1998.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

[FR Doc. 98–11028 Filed 4–24–98; 8:45 am]

BILLING CODE 6714–01–P