

## Press Releases

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October 27, 1997

OTS 97-77 - Unrealized Gains Proposed for Inclusion in Tier 2 Capital

# Office of Thrift Supervision

# NEWS

FOR RELEASE at 11:30 a.m. EST

For further information

Monday, October 27, 1997

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OTS 97-pres9

202/906-6693

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### **UNREALIZED GAINS PROPOSED FOR INCLUSION IN TIER 2 CAPITAL**

WASHINGTON, D.C., Oct. 27, 1997 -- Thrifts would be able to count as capital some of the gains they could make on stock and other equity securities held but not yet sold under a rule proposed today by the Office of Thrift Supervision (OTS) and three other federal banking agencies.

Under the proposal, thrifts could count up to 45 percent of unrealized gains on certain equity securities in supplementary (Tier 2) capital. Unrealized gains do not currently count as regulatory capital even though unrealized losses must be deducted from regulatory capital.

To be eligible for the proposed capital treatment, the equity securities must be reported as "available for sale." They must be valued in accordance with GAAP and have readily determinable fair values, such as stocks traded on exchanges or on NASDAQ, and mutual fund shares. OTS could disallow the inclusion of all or part of the gain on equity securities that OTS determines are not prudently valued.

Inclusion of the unrealized gains solely in Tier 2 capital, as well as imposition of the 55 percent haircut, are consistent with the international risk-based capital standards established under the Basle Accord.

The proposed change would apply only to equity securities, not debt securities, which would continue to be treated under the present rules.

The proposed rule was jointly published in today's Federal Register by OTS, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Federal Reserve Board. The agencies will accept comments on the proposal for 60 days.

**View the Proposed Rule** - Risk Based Capital Standards: [Unrealized Holding Gains on Certain Equity Securities](#); and Construction Loans on Presold Residential Properties, Junior Liens on 1- to 4-Family Residential Properties and Mutual Funds, and Leverage Capital Standards (Tier 1 Leverage Ratio); Proposed Rules

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).

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