As the attached notice of proposed rulemaking explains, the Office of Thrift Supervision (OTS) is proposing to amend its capital rule to be consistent with a recent change in generally accepted accounting principles (GAAP).

OTS would change its definition of the term common stockholders' equity, in order to incorporate a recent change in GAAP made by Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). Common stockholders' equity is a major component of institutions' Tier 1 (core) capital. Under OTS' capital regulation, common stockholders' equity generally includes the same items that comprise GAAP equity.

SFAS No. 115 requires that available-for-sale debt and equity securities be reported at fair market value, rather than at amortized cost. Under SFAS 115, unrealized gains and losses on available-for-sale securities will be included in GAAP equity. As proposed, this change will cause institutions' Tier 1 capital to change with the market value of available for sale securities.

The proposal is published in the June 22, 1994 edition of the Federal Register, Vol. 59, No. 119, pp. 32143–32144. Comments on the proposed rule must be received on or before July 22, 1994, addressed to: Director, Information Services, Public Affairs Office, Office of Thrift Supervision, 1700 G Street NW, Washington, DC 20552.

Jonathan L. Fiechter
Acting Director
Office of Thrift Supervision