Office of the Comptroller of the Currency
U.S. Department of the Treasury

RESCINDED

OCC BULLETIN 2009-1

Transmittal - See OCC 2015-38

Subject: Deductio[n of Goodwill Net of] Associated Deferr[ed] ... **... Officers of All National ... and Division Heads, All ... l, and Other Interested Parties**

Date: January 2, 2[009]

Description: Final Rule

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (agencies) have issued a final rule that permits a banking organization to reduce the amount of goodwill it must deduct from its regulatory tier 1 capital by the amount of any deferred tax liability associated with that goodwill.

Summary

Under the OCC's existing regulatory capital rules, a national bank (bank) must deduct certain assets from tier 1 capital, which is used to determine the bank's leverage and risk-based capital ratios. A bank is permitted to net any associated deferred tax liability against some of those assets prior to deduction from tier 1 capital. Included among those assets that a bank may deduct net of associated deferred tax liabilities are certain intangible assets arising from a nontaxable business combination. Such netting generally is not permitted for goodwill and other intangible assets arising from a taxable business combination. For those assets, the full or gross carrying amount of the asset must be deducted from tier 1 capital.

The final rule amends the existing rules to permit the amount of goodwill arising from a taxable business combination that must be deducted from tier 1 capital to be reduced by any associated deferred tax liability. This change permits a bank to effectively reduce its regulatory capital deduction for goodwill to an amount equal to the maximum regulatory capital deduction that could occur as a result of the goodwill becoming completely impaired or derecognized. However, a bank that reduces the amount of goodwill deducted from tier 1 capital by the amount of the associated deferred tax liability would not be permitted to net this deferred tax liability against deferred tax assets when determining regulatory capital limitations on deferred tax assets. The agencies believe that this treatment would reflect appropriately a banking organization's maximum exposure to loss if the goodwill becomes impaired or is derecognized under GAAP.

The final rule was published in the *Federal Register* on December 30, 2008, with an effective date of January 29, 2009. However, the rule permits a bank to elect to apply the rule for purposes of the regulatory reporting period ending on December 31, 2008.

Further Information

For further information about this bulletin, contact the Office of the Chief National Bank Examiner (202) 649-6370.

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Related Links

- Final Rule 73 FR 79602