OTS Amends Capital Treatment of Unrealized Gains on Securities

WASHINGTON, D.C., Sept. 1, 1998 -- The Office of Thrift Supervision (OTS), together with the other federal banking regulators, has finalized a joint interagency rule that amends the regulatory capital treatment of unrealized gains on certain equity securities.

The new rule allows savings associations to include in supplementary (Tier 2) capital up to 45 percent of any unrealized gains, net of any unrealized losses, on investments in available-for-sale (AFS) equity securities with readily determinable fair values. Previously, thrifts could not include such unrealized gains on AFS equity securities in calculating regulatory capital. The rule also gives OTS the authority to disallow such unrealized gains if the equity securities are not prudently valued.

The 55-percent discount applied to the unrealized gains reflects the potential volatility of this form of unrealized capital, as well as the tax liability charges that generally would result if the gain were realized or otherwise taxed currently. This discount is consistent with the regulatory capital treatment of unrealized gains on AFS securities under the international standards of the BASLE accord.

The OTS final regulation is effective October 1, 1998, but institutions may apply the provisions immediately.

View Related Final Rule Risk-Based Capital Standards: Unrealized Holding Gains on Certain Equity Securities
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).