WASHINGTON — The federal banking and thrift regulatory agencies today approved a final rule that would permit a banking organization to reduce the amount of goodwill it must deduct from tier 1 capital by any associated deferred tax liability.

Under the final rule, the regulatory capital deduction for goodwill would be equal to the maximum capital reduction that could occur as a result of a complete write-off of the goodwill under generally accepted accounting principles (GAAP). The final rule is in substance the same as the proposal issued in September. The final rule will be effective 30 days after publication in the Federal Register. However, banking organizations may adopt its provisions for purposes of regulatory capital reporting for the period ending December 31, 2008.

The final rule was approved by the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The draft Federal Register notice is attached.

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