



Quarterly Banker Call
April 15, 2013

Kansas City Regional Staff

- **Two Primary Topics**
 - ◆ Applications
 - ◆ Accounting





Applications

- **Application Overview**
- **Banks in Troubled Condition**
- **Interagency Notice of Change in Director or Senior Executive Officer**
- **Golden Parachute and Indemnification Payments**
- **Section 19 Applications**
- **Part 362 Bank Activities**
- **Mergers**



Application General Overview

- Part 303 of the FDIC Rules and Regulations
- Call Regional Office before submitting an application
- FDICconnect
- Pre-review of publication notice
- State Historic Preservation Officer (SHPO)
- Banks with problem areas



BANKS IN TROUBLED CONDITION

- Definition – Section 303.101 of FDIC Rules and Regulations

<http://www.fdic.gov/regulations/laws/rules/2000-800.html#fdic2000part303.101>

- Two types of applications:
 - Interagency Notice of Change in Director or Senior Executive Officer
 - Golden Parachute and Indemnification Payments



INTERAGENCY NOTICE OF CHANGE IN DIRECTOR OR SENIOR EXECUTIVE OFFICER

- Filing Requirements:
 - ◆ Fingerprint Card and Consent for Release of Information
 - ◆ Employment Agreement or Contract
- References:
 - <http://www.fdic.gov/regulations/laws/rules/1000-3400.html#fdic1000sec32>
 - <http://www.fdic.gov/regulations/laws/rules/2000-800.html#fdic2000part303.100>



INTERAGENCY NOTICE OF CHANGE IN DIRECTOR OR SENIOR EXECUTIVE OFFICER

■ Forms:

- ◆ <http://www.fdic.gov/formsdocuments/interag1.pdf>
- ◆ <http://www.fdic.gov/formsdocuments/Bio-FinReport.pdf>
- ◆ Fingerprint cards and consent forms can be obtained from Regional Office



GOLDEN PARACHUTE AND INDEMNIFICATION PAYMENTS

- Definition of Golden Parachute Payment
- Letter Application
- Certification Requirements
- References:
 - <http://www.fdic.gov/regulations/laws/rules/2000-7700.html>
 - <http://www.fdic.gov/regulations/laws/rules/2000-1500.html#fdic2000part303.244>
 - <http://www.fdic.gov/news/news/financial/2010/fil10066.html>



SECTION 19 APPLICATIONS

- Individuals and Crimes Covered

- References:
 - <http://www.fdic.gov/regulations/laws/rules/1000-2100.html#fdic1000sec.19>
 - <http://www.fdic.gov/regulations/laws/rules/5000-1300.html#fdic5000applications.us>
 - ◆ <http://www.fdic.gov/news/news/financial/2011/fil11057.html>

- Forms:
 - <http://www.fdic.gov/regulations/laws/FORMS/section19.html>
 - Fingerprint card and consent forms can be obtained from Regional Office



PART 362 – BANK ACTIVITIES

- **Governs activities (as defined in regulation) conducted “as principal”**
- **If activity is not permissible for a National bank, application to FDIC is generally required**
- **Before engaging in new activities,**
 - ◆ Obtain qualified legal advice
 - ◆ Consult with State/FDIC to determine if application(s) may be required



PART 362 – BANK ACTIVITIES

- The applicable regulations include Part 362 (implements Section 24 of the FDI Act) and Part 303 (application procedures) of the FDIC's Rules and Regulations which are available on the FDIC's website:
 - ◆ <http://www.fdic.gov/regulations/laws/rules/2000-8000.html>
 - ◆ <http://www.fdic.gov/regulations/laws/rules/1000-2600.html#fdic1000sec.24>
 - ◆ <http://www.fdic.gov/regulations/laws/rules/2000-900.html#fdic2000part303.120>
 - ◆ <http://www.fdic.gov/regulations/laws/rules/2000-1000.html#fdic2000part303.140>

- **Competitive effects**
- **Branch closing notices**
- **Notices to depositors**
- **Certification of the assumption of deposits**
- **References:**
 - <http://www.fdic.gov/regulations/laws/rules/2000-600.html>
 - <http://www.fdic.gov/regulations/laws/rules/5000-1200.html#fdic5000fdicso2>
 - <http://www.fdic.gov/formsdocuments/bma-fapp.pdf>

- **Steps in Business Combination Accounting**
- **Common Issues**
- **Best Practices**
- **Frequently Asked Questions**



Steps in Business Combination Accounting

- 1. Determine whether the transaction is a business combination, as defined in ASC 805, which requires that the assets acquired and liabilities assumed constitute a business.
- 2. If the transaction is a business combination, account for the combination by applying the acquisition method. (If the transaction is not a business combination, account for it as an asset acquisition.)
- 3. Identify which of the combining entities is the acquirer.
- 4. Identify the acquisition date, which is the date the acquirer obtains control of the acquiree.



Steps in Business Combination Accounting

- 5. Recognize as of the acquisition date the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree subject to the conditions specified in FAS 141(R).
- 6. Classify or designate as of the acquisition date the identifiable assets acquired and liabilities assumed as necessary to apply other generally accepted accounting principles subsequent to the acquisition date.
- 7. Measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values, except as specified in ASC 805.



Steps in Business Combination Accounting

- 8. Recognize and measure goodwill or a gain from a bargain purchase by comparing
 - ◆ (a) the consideration transferred, generally measured at its acquisition-date fair value, plus the fair value of any noncontrolling interest in the acquiree to
 - ◆ (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured in accordance with ASC 805 (FV assets and liabilities).
 - ◆ If (a) exceeds (b), recognize goodwill as of the acquisition date.
 - ◆ If (b) exceeds (a), reassess and review the accounting for the transaction and then recognize any resulting gain in earnings on the acquisition date.



Common Issues

- **Fair Value Measurement**
- **Purchased Credit Impaired Loans**
- **FDIC Assisted Transactions**
- **Measurement Period**



- Fair Value Evaluations by Qualified, Independent Party
- Accounting Consultations from Qualified, Independent Party
- Internal Audit by Qualified Party
- Procedures and Systems for Accounting for ASC 310-30/SOP 3-03 Loans
- Written procedures for accounting for losses on loans purchased and indemnification asset



Frequently Asked Questions

- **Ratio Analysis**
- **ALLL Models and Measurements after a Business Combination**
- **Adverse Classification**

Regulatory

- **Supervisory Insights On Business Combinations**
 - ◆ http://www.fdic.gov/regulations/examinations/supervisory/insights/siwin08/si_win08.pdf
- **Supervisor Insights On Purchased Credit Impaired Loans**
 - ◆ <http://www.fdic.gov/regulations/examinations/supervisory/insights/sisum04/sisum04.pdf>
- **Supervisory Insights on Loss Share**
 - ◆ <http://www.fdic.gov/news/news/financial/2010/fil10034.html>
- **FIL Bargain Purchases and Assisted Acquisitions Interagency Supervisory Guidance-Appendix for Accounting**
 - ◆ <http://www.fdic.gov/news/news/financial/2010/fil10030.html>

Accounting

- **ASC 805 *Business Combinations***
- **ASC Subtopic 310-30 (*formerly SOP 03-3*) *Receivable-Loans and Debt Securities Acquired with Deteriorated Credit Quality***

Questions





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Thank You

Please send any questions or comments
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