authorization and to issue radio station/operator licenses. Data are also used by Compliance personnel in conjunction with Field Engineers for enforcement and interference resolution purposes. The Commission implemented a program change in which it has eliminated mailing of FCC Form 610R, and applicants may choose to file for renewal electronically via the VEC program or file FCC Form 610 manually.

OMB Approval Number: 3060–0069.

Title: Application for Commercial Radio Operator License.

Form Number: FCC 756.

Type of Review: Revision of a currently approved collection.

Respondents: Individuals or households.

Number of Respondents: 13,250.

Estimated Time Per Response: 20 minutes.

Frequency of Response: On occasion reporting requirements.

Total Annual Burden: 4,373 hours.

Total Annual Cost: $212,000.

Needs and Uses: Form 756 is used by the FCC, as authorized under Section 303(l)(1) of the Communications Act of 1934, as amended, to issue radio operator licenses to those persons found to be qualified. To properly identify oneself for an operator's license, applicants must provide their full name, date of birth, and a recent photograph. (A photograph is required of applicants for radiotelegraph licenses in accordance with Paragraph 3870 of Article 55 of the International Radio Regulations.) The form is being revised to delete the payment information, since this information is already being collected when an applicant files FCC Form 159 (Fee Remittance Advice) to make a payment to the FCC.

OMB Approval Number: 3060–0139.

Title: Application for Antenna Structure Registration.

Form Number: FCC 854/854R.

Type of Review: Revision of a currently approved collection.

Respondents: Individuals or households; Businesses or other for-profit entities; Non-profit institutions; and State, Local, or Tribal Government.

Number of Respondents: 9,000.

Estimated Time Per Response: 30 minutes.

Frequency of Response: On occasion reporting requirements; Third party disclosure.

Total Annual Burden: 6,750 hours.

Total Annual Cost: $181,800.

Needs and Uses: FCC Forms 854/854R are to register structures used for wire or radio communication services within the United States, or to make changes to an existing registered structure, or to notify the Commission of the dismantlement of a structure. This revision seeks approval to combine FCC Forms 854ULS and 854–O due to the costs involved in programming separate forms for electronic filing. FCC 854ULS will collect Taxpayer Identification Number (TIN) of the antenna structure owner. Additionally, the form collects a Sub-Group Identification Number (SGIN) in cases where an entity such as a governmental entity or academic institution is divided into separate groups where each is responsible for its own registration. Antenna structure owners will be required to file either the current form or the new form, depending upon the timeframe in which the Antenna Structure Registration database is converted to ULS. Owners will be required to file the current form 854 until such time as a public notice is issued announcing conversion to ULS and requirements to begin using the Form 854ULS, then Form 854 process will no longer be available.

Federal Communications Commission.

Magalie Roman Salas,

Secretary.

[FR Doc. 99–12409 Filed 5–17–99; 8:45 am]

BILLING CODE 6712–01–P

FEDERAL DEPOSIT INSURANCE CORPORATION

Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies; Report to Congressional Committees

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Report to the Committee on Banking and Financial Services of the U.S. House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate Regarding Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies.

SUMMARY: This report has been prepared by the FDIC pursuant to section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)). Section 37(c) requires each federal banking agency to report to the Committee on Banking and Financial Services of the House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the Senate any differences between any accounting or capital standard used by such agency and any accounting or capital standard used by any other such agency. The report must also contain an explanation of the reasons for any discrepancy in such accounting and capital standards and must be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Robert F. Storch, Chief, Accounting Section, Division of Supervision, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, D.C. 20429, telephone (202) 898–8906.

SUPPLEMENTARY INFORMATION: The text of the report follows:

Report to the Committee on Banking and Financial Services of the U.S. House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate Regarding Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies

A. Introduction

The Federal Deposit Insurance Corporation (FDIC) has prepared this report pursuant to section 37(c) of the Federal Deposit Insurance Act. Section 37(c) requires the agency to submit a report to specified Congressional Committees describing any differences in regulatory capital and accounting standards among the federal banking and thrift agencies, including an explanation of the reasons for these differences. Section 37(c) also requires the FDIC to publish this report in the **Federal Register**. This report covers differences existing during 1998 and developments affecting these differences.

The FDIC, the Board of Governors of the Federal Reserve System (FRB), and the Office of the Comptroller of the Currency (OCC) (hereafter, the banking agencies) have substantially similar leverage and risk-based capital standards. While the Office of Thrift Supervision (OTS) employs a regulatory capital framework that also includes leverage and risk-based capital requirements, it differs in some respects from that of the banking agencies. Nevertheless, the agencies view the leverage and risk-based capital requirements as minimum standards and most institutions are expected to operate with capital levels well above the minimums, particularly those institutions that are expanding or experiencing unusual or high levels of risk.

The banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have developed uniform Reports of Condition and Income (Call Reports) for all insured commercial banks and FDIC-supervised savings banks. The OTS requires each savings association to file the Thrift Financial Report (TFR). The reporting standards for recognition and measurement in both the Call Report and the TFR are consistent with generally accepted accounting principles (GAAP). Thus, there are no significant differences in reporting standards among the agencies. However, two minor differences remain between the standards of the banking agencies and those of the OTS.

Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4803) requires the banking agencies and the OTS to conduct a systematic review of their regulations and written policies in order to improve efficiency, reduce unnecessary costs, and eliminate inconsistencies. It also directs the four agencies to work jointly to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The results of these efforts must be ''consistent with the principles of safety and soundness, statutory law and policy, and the public interest.'' The four agencies' ongoing efforts to eliminate existing differences among their regulatory capital standards as part of the Section 303 review are discussed in the following section.

B. Differences in Capital Standards Among the Federal Banking and Thrift Agencies

B.1. Minimum Leverage Capital

The banking agencies have established leverage capital standards based upon the definition of Tier 1 (or core) capital contained in their risk-based capital standards. These standards require the most highly-rated banks (i.e., those with a composite rating of ''1'' under the Uniform Financial Institutions Rating System (UFIRS)) to maintain a minimum leverage capital ratio of at least 3 percent if they are not anticipating or experiencing any significant growth and meet certain other conditions. All other banks must maintain a minimum leverage capital ratio that is at least 100 to 200 basis points above this minimum (i.e., an absolute minimum leverage ratio of not less than 4 percent).

The OTS has a 3 percent core capital and a 1.5 percent tangible capital leverage requirement for savings associations. However, the OTS' Prompt Corrective Action rule requires a savings association to have a 4 percent leverage capital ratio (or a 3 percent leverage capital ratio if it is rated a composite ''1'' under the UFIRS) in order for the association to be considered ''adequately capitalized.'' Consequently, the 4 percent leverage capital ratio is, in effect, the controlling leverage capital standard for savings associations other than those rated a composite ''1.''

As a result of the agencies' section 303 review of their regulatory capital standards, the agencies issued a proposal for public comment on October 27, 1997, which, among other provisions, would establish a uniform leverage requirement. As proposed, institutions rated a composite 1 under the Uniform Financial Institutions Rating System would be subject to a minimum 3 percent leverage ratio and all other institutions would be subject to a minimum 4 percent leverage ratio. This change would simplify and streamline the agencies' leverage rules and make them uniform. On December 18, 1998, the FDIC Board of Directors approved a final rule adopting the uniform leverage requirement as proposed. After all four of the agencies approved this final rule, it was published on March 2, 1999 (64 **Federal Register** 10194), and took effect on April 1, 1999.

B.2. Interest Rate Risk

Section 305 of the FDIC Improvement Act of 1991 mandates that the agencies' risk-based capital standards take adequate account of interest rate risk. In August 1995, each of the banking agencies amended its capital standards to specifically include an assessment of a bank's interest rate risk, as measured by its exposure to declines in the economic value of its capital due to changes in interest rates, in the evaluation of bank capital adequacy. In June 1996, the banking agencies issued a Joint Agency Policy Statement on Interest Rate Risk that provides guidance on sound practices for managing interest rate risk. This policy statement does not establish a standardized measure of interest rate risk nor does it create an explicit capital charge for interest rate risk. Instead, the policy statement identifies the standards that the banking agencies will use to evaluate the adequacy and effectiveness of a bank's interest rate risk management.

In 1993, the OTS adopted a final rule that adds an interest rate risk component to its risk-based capital standards. Under this rule, savings associations with a greater than normal interest rate exposure must take a deduction from the total capital available to meet their risk-based capital requirement. The deduction is equal to one half of the difference between the institution's actual measured exposure and the normal level of exposure. The OTS has partially implemented this rule by formalizing the review of interest rate risk; however, no deductions from capital are being made. Thus, the regulatory capital approach to interest rate risk adopted by the OTS differs from that of the banking agencies.

B.3. Subsidiaries

The banking agencies generally consolidate all significant majority-owned subsidiaries of the parent bank for regulatory capital purposes. The purpose of this practice is to assure that capital requirements are related to all of the risks to which the bank is exposed. For subsidiaries that are not consolidated on a line-for-line basis, their balance sheets may be consolidated on a pro-rata basis, bank investments in such subsidiaries may be deducted entirely from capital, or the investments may be risk-weighted at 100 percent, depending upon the circumstances. These options for handling subsidiaries for purposes of determining the capital adequacy of the parent bank provide the banking agencies with the flexibility necessary to ensure that institutions maintain capital levels that are commensurate with the actual risks involved.

Under the OTS' capital guidelines, a statutorily mandated distinction is drawn between subsidiaries engaged in activities that are permissible for national banks and subsidiaries engaged in ''impermissible'' activities for national banks. For regulatory capital purposes, subsidiaries of savings associations that engage only in permissible activities are consolidated on a line-for-line basis, if majority-owned, and on a pro rata basis, if ownership is between 5 percent and 50 percent. For subsidiaries that engage in impermissible activities, investments in, and loans to, such subsidiaries are deducted from assets and capital when determining the capital adequacy of the parent.

B.4. Servicing Assets and Intangible Assets

On August 10, 1998, the four agencies jointly published a final rule (63 FR 42667) revising the treatment of servicing assets for regulatory capital purposes. As amended, the agencies' rules permit servicing assets and purchased credit card relationships to count toward capital requirements, subject to certain limits. The final rule increased the aggregate regulatory capital limit on these two categories of assets from 50 percent to 100 percent of Tier 1 capital. In addition, for the first time, servicing assets on financial assets other than mortgages were recognized (rather than deducted) for regulatory capital purposes. However, these nonmortgage servicing assets are combined with purchased credit card relationships and this combined amount is limited to no more than 25 percent of an institution's Tier 1 capital. Before applying these Tier 1 capital limits, mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships are each first limited to the lesser of 90 percent of their fair value or 100 percent of their book value (net of any valuation allowances). Any servicing assets and purchased credit card relationships that exceed the relevant limits, as well as all other intangible assets such as goodwill and core deposit intangibles, are deducted from capital and assets in calculating an institution's Tier 1 capital.

The OTS' capital rules governing servicing assets and intangible assets contain two differences from the banking agencies' rules that, with the passage of time, have become relatively insignificant. Under its rules, the OTS has grandfathered, i.e., does not deduct from regulatory capital, core deposit intangibles acquired before February 1994 up to 25 percent of Tier 1 capital and all purchased mortgage servicing rights acquired before February 1990.

B.5. Capital Requirements for Recourse Arrangements

B.5.a. Senior-Subordinated Structures—Some asset securitization structures involve the creation of senior and subordinated classes of securities or other financial instruments. When a bank originates such a transaction and retains a subordinated interest, the banking agencies generally require that the bank maintain risk-based capital against its subordinated interest plus all more senior interests unless the low-level recourse rule applies.[1] However, when a bank acquires a subordinated interest in a pool of assets that it did not own, the banking agencies assign the investment in the subordinated interest to the 100 percent risk weight category.

In general, unless the low-level recourse rule applies, the OTS requires a thrift that holds the subordinated interest in a senior-subordinated structure to maintain capital against the subordinated interest plus all more senior interests regardless of whether the subordinated interest has been retained or has been purchased.

On November 5, 1997, the banking and thrift agencies issued a proposal that, among other provisions, generally would treat both retained and purchased subordinated interests similarly for risk-based capital purposes, i.e., banks and thrifts would be required to hold capital against the subordinated interest plus all more senior interests unless the low-level recourse rule applies. The proposal also includes a multi-level approach to capital requirements for asset securitizations. The multi-level approach would vary the risk-based capital requirements for positions in securitizations, including subordinated interests, according to their relative risk exposure. The comment period for the proposal ended on February 3, 1998. The agencies have evaluated the comments received and, based on guidance received from the FFIEC, are working jointly to develop a revised proposal.

B.5.b. Recourse Servicing—The right to service loans and other financial assets may be retained when the assets are sold. This right also may be acquired from another entity. Regardless of whether servicing rights are retained or acquired, recourse is present whenever the servicer must absorb credit losses on the assets being serviced. The banking agencies and the OTS require an institution to maintain risk-based capital against the full amount of assets sold by the institution if the institution, as servicer, must absorb credit losses on those assets. Additionally, the OTS applies a capital charge to the full amount of assets being serviced by a thrift that has purchased the servicing from another party if the thrift is required to absorb credit losses on the assets being serviced.

The agencies' November 1997 risk-based capital proposal would require banking organizations that purchase loan servicing rights which provide loss protection to the owners of the serviced loans to begin to hold capital against those loans, thereby making the risk-based capital treatment of these servicing rights uniform for banks and savings associations. As mentioned above, after evaluating the comments received on the proposal and receiving guidance from the FFIEC, the agencies are developing a revised recourse proposal.

B.6. Collateralized Transactions

The FRB and the OCC assign a zero percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government or the central governments of countries that are members of the Organization of Economic Cooperation and Development (OECD), provided a positive margin of collateral protection is maintained daily.

The FDIC and the OTS assign a 20 percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government or OECD central governments.

As part of the Section 303 review of their capital standards, the banking and thrift agencies issued a joint proposal in August 1996 that would permit collateralized claims that meet criteria that are uniform among all four agencies to be eligible for a zero percent risk weight. In general, this proposal would allow institutions supervised by the FDIC and the OTS to hold less capital for transactions collateralized by cash or U.S. or OECD government securities. The proposal would eliminate the differences among the agencies regarding the capital treatment of collateralized transactions. The agencies are continuing to work together to complete a uniform final rule for collateralized transactions.

B.7. Presold Residential Construction Loans

The four agencies assign a 50 percent risk weight to qualifying loans that a builder has obtained to finance the construction of one-to-four family residential properties. These properties must be presold, and the lending relationship must meet certain other criteria. The OTS and the OCC rules indicate that the property must be presold before the construction loan is made in order for the loan to qualify for the 50 percent risk weight. The FDIC and FRB permit loans to builders for residential construction to qualify for the 50 percent risk weight once the property is presold, even if that event occurs after the construction loan has been made. Until the property is presold, the construction loan normally would be assigned to the 100 percent risk weight category.

As a result of their Section 303 review, the agencies' previously mentioned October 27, 1997, regulatory capital proposal includes a provision under which the OTS and the OCC would adopt the treatment of presold residential construction loans followed by the FDIC and the FRB. This would make the agencies' rules in this area uniform. On December 18, 1998, the FDIC Board of Directors approved a final rule that, as proposed, retains the existing FDIC–FRB treatment of presold residential construction loans. After all four of the agencies approved this final

[1] When assets are sold with limited recourse, the banking and thrift agencies' risk-based capital standards limit the amount of capital that must be maintained against this exposure to the lesser of the amount of the recourse retained (e.g., through the retention of a subordinated interest) or the amount of risk-based capital that would otherwise be required to be held against the assets that were sold, i.e., the full effective risk-based capital charge. This is known as the ''low-level recourse'' rule.

rule, it was published on March 2, 1999, and took effect on April 1, 1999.

B.8. Junior Liens on One-to-Four Family Residential Properties

In some cases, a bank may make two loans on a single residential property, one secured by a first lien, the other by a junior lien. When there are no intervening liens, the FRB and the OTS view both loans as a single extension of credit secured by a first lien and assign the combined loan amount a 50 percent risk weight if the combined loans satisfy prudent underwriting standards, including a prudent loan-to-value ratio, and are performing adequately. If these conditions are not met, e.g., if the combined loan amount exceeds a prudent loan-to-value ratio, the combined loans are assigned to the 100 percent risk weight category. The FDIC also combines the first and junior liens to determine the appropriateness of the loan-to-value ratio, but it applies the risk weights differently than the FRB and the OTS. If the combined loans satisfy prudent underwriting standards and are performing adequately, the FDIC risk weights the first lien at 50 percent and the junior lien at 100 percent; otherwise, both liens are risk-weighted at 100 percent. This combining of first and junior liens is intended to avoid possible circumvention of the capital requirement and to capture the risks associated with the combined loans.

The OCC treats all first and junior liens separately. It assigns the loan secured by the first lien, if it has been prudently underwritten, to the 50 percent risk weight category; otherwise, it assigns the loan to the 100 percent risk weight category. In all cases, the OCC assigns the loan secured by the junior lien to the 100 percent risk weight category.

As a result of the Section 303 review of their capital standards, the agencies proposed on October 27, 1997, to extend the OCC's treatment of junior liens on one-to-four family residential properties to all four agencies and thereby eliminate this difference among the agencies. However, after considering the comments received on the proposal, the agencies concluded that it would be more appropriate to adopt the treatment of junior liens followed by the FRB and the OTS. On December 18, 1998, the FDIC Board of Directors approved a final rule that takes this FRB–OTS approach. After all four of the agencies approved this final rule, it was published on March 2, 1999, and took effect on April 1, 1999.

B.9. Mutual Funds

The banking agencies assign the entire amount of a bank's holdings in a mutual fund to the risk category appropriate to the highest risk asset that a particular mutual fund is permitted to hold under its operating rules. Thus, the banking agencies take into account the maximum degree of risk to which a bank may be exposed when investing in a mutual fund because the composition and risk characteristics of the fund's future holdings cannot be known in advance. In no case, however, may a risk-weight of less than 20 percent be assigned to an investment in a mutual fund.

The OTS applies a capital charge appropriate to the riskiest asset that a mutual fund is actually holding at a particular time, but not less than 20 percent. In addition, both the OTS and the OCC guidelines also permit, on a case-by-case basis, investments in mutual funds to be allocated on a pro rata basis. However, the OTS and the OCC apply the pro rata allocation differently. While the OTS applies the allocation based on the actual holdings of the mutual fund, the OCC applies it based on the highest amount of holdings the fund is permitted to hold as set forth in its prospectus.

As part of the agencies' Section 303 review of their regulatory capital standards, one provision of their October 27, 1997, proposal would apply the banking agencies' treatment of mutual funds to all institutions. However, the proposal also would permit institutions, at their option, to adopt the OCC's pro rata allocation alternative for risk weighting investments in mutual funds. This proposal would make the agencies' risk-based capital rules in this area uniform, thereby eliminating this capital difference. On December 18, 1998, the FDIC Board of Directors approved a final rule that adopts the mutual fund treatment that had been proposed. After all four of the agencies approved this final rule, it was published on March 2, 1999, and took effect on April 1, 1999.

B.10. Noncumulative Perpetual Preferred Stock

Under the banking and thrift agencies' capital standards, noncumulative perpetual preferred stock is a component of Tier 1 capital. The FDIC's capital standards define noncumulative perpetual preferred stock as perpetual preferred stock where the issuer has the option to waive the payment of dividends and where the dividends so waived do not accumulate to future periods and do not represent a contingent claim on the issuer. Under the FRB's capital standards, perpetual preferred stock is noncumulative if the issuer has the ability and legal right to defer or eliminate preferred dividends. For these two agencies, for a perpetual preferred stock issue to be considered noncumulative, the issue may not permit the accruing or payment of unpaid dividends in any form, including the form of dividends payable in common stock. Thus, if the issuer of perpetual preferred stock is required to pay dividends in a form other than cash when cash dividends are not or cannot be paid, the issuer does not have the option to waive or eliminate dividends and the stock would not qualify as noncumulative. The OCC's capital standards do not explicitly define noncumulative perpetual preferred stock, but the OCC normally has not considered perpetual preferred stock issues with this type of dividend requirement to be noncumulative.

The OTS defines as noncumulative those issues of perpetual preferred stock where the unpaid dividends are not carried over to subsequent dividend periods. This definition does not address the issuer's ability to waive dividends. As a result, the OTS has permitted perpetual preferred stock issues that require the payment of dividends in the form of stock in the issuer when cash dividends are not paid to qualify as noncumulative.

B.11. Limitation on Subordinated Debt and Limited-Life Preferred Stock

Consistent with the Basle Accord, the internationally agreed-upon risk-based capital framework which the banking agencies' risk-based capital standards implement, the banking agencies limit the amount of subordinated debt and intermediate-term preferred stock that may be treated as part of Tier 2 capital to an amount not to exceed 50 percent of Tier 1 capital. In addition, all maturing capital instruments must be discounted by 20 percent in each of the last five years before maturity. The banking agencies adopted this approach in order to emphasize equity versus debt in the assessment of capital adequacy.

The OTS has no limitation on the ratio of maturing capital instruments as part of Tier 2 capital. Furthermore, for all maturing instruments issued after November 7, 1989, thrifts have the option of using either (a) the discounting approach used by the banking regulators, or (b) an approach which allows for the full inclusion of all such instruments provided that the amount maturing in any one year does not exceed 20 percent of the thrift's total capital. As for maturing capital instruments issued on or before November 7, 1989, the OTS has grandfathered them with respect to the discounting requirement.

B.12. Privately-Issued Mortgage-Backed Securities

The banking agencies, in general, place privately-issued mortgage-backed securities in either the 50 percent or 100 percent risk-weight category, depending upon the appropriate risk category of the underlying assets. However, privately-issued mortgage-backed securities, if collateralized by government agency or government-sponsored agency securities, are generally assigned to the 20 percent risk weight category.

The OTS assigns privately-issued high-quality mortgage-related securities to the 20 percent risk weight category. In general, these are privately-issued mortgage-backed securities that are rated in one of the two highest rating categories, e.g., AA or better, by at least one nationally recognized statistical rating organization.

B.13. Nonresidential Construction and Land Loans

The banking agencies assign loans for nonresidential real estate development and construction purposes to the 100 percent risk weight category. The OTS generally assigns these loans to the same 100 percent risk category. However, if the amount of the loan exceeds 80 percent of the fair value of the property, the OTS deducts the excess portion from assets and total capital.

B.14. ''Covered Assets''

The banking agencies generally place assets subject to guarantee arrangements by the FDIC or the former Federal Savings and Loan Insurance Corporation in the 20 percent risk weight category. The OTS places these ''covered assets'' in the zero percent risk-weight category.

B.15. Pledged Deposits and Nonwithdrawable Accounts

The OTS' capital standards permit savings associations to include pledged deposits and nonwithdrawable accounts that meet OTS' criteria, Income Capital Certificates, and Mutual Capital Certificates in regulatory capital.

Instruments such as pledged deposits, nonwithdrawable accounts, Income Capital Certificates, and Mutual Capital Certificates do not exist in the banking industry and are not addressed in the banking agencies' capital standards.

B.16. Agricultural Loan Loss Amortization

In the computation of regulatory capital, those banks that were accepted into the agricultural loan loss amortization program pursuant to Title VIII of the Competitive Equality Banking Act of 1987 were permitted to defer and amortize certain losses related to agricultural lending that were incurred on or before December 31, 1991. These losses had to be amortized over seven years. The unamortized portion of these losses was included as an element of Tier 2 capital under the banking agencies' risk-based capital standards.

Thrifts were not eligible to participate in the agricultural loan loss amortization program established by this statute.

Because the banking agencies' agricultural loan loss amortization program ended on December 31, 1998, this difference has now been eliminated.

C. Differences in Accounting Standards Among the Federal Banking and Thrift Agencies

C.1. Push Down Accounting

Push down accounting is the establishment of a new accounting basis for a depository institution in its separate financial statements as a result of a substantive change in control. Under push down accounting, when a depository institution is acquired in a purchase (but not in a pooling of interests), yet retains its separate corporate existence, the assets and liabilities of the acquired institution are restated to their fair values as of the acquisition date. These values, including any goodwill, are reflected in the separate financial statements of the acquired institution as well as in any consolidated financial statements of the institution's parent.

The banking agencies require push down accounting when there is at least a 95 percent change in ownership. This approach is generally consistent with accounting interpretations issued by the staff of the Securities and Exchange Commission.

The OTS requires push down accounting when there is at least a 90 percent change in ownership.

C.2. Negative Goodwill

Under Accounting Principles Board Opinion No. 16, ''Business Combinations,'' negative goodwill arises when the fair value of the net assets acquired in a purchase business combination exceeds the cost of the acquisition and a portion of this excess remains after the values otherwise assignable to the acquired noncurrent assets have been reduced to zero.

The banking agencies require negative goodwill to be reported as a liability on the balance sheet and do not permit it to be netted against goodwill that is included as an asset. This ensures that all goodwill assets are deducted in regulatory capital calculations consistent with the Basle Accord.

The OTS permits negative goodwill to offset goodwill assets on the balance sheet.

Dated at Washington, DC, this 12th day of May, 1999.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

[FR Doc. 99–12421 Filed 5–17–99; 8:45 am]

BILLING CODE 6714–01–P

Notice of Proposals to Engage in Permissible Nonbanking Activities or to Acquire Companies that are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than June 1, 1999.

A. Federal Reserve Bank of Atlanta (Lois Berthaume, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303-2713:

1. Community Financial Group, Inc., Nashville, Tennessee; through its subsidiary bank, The Bank of Nashville, Nashville, Tennessee, to acquire an 80 percent joint venture interest in