



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-100-2008
September 30, 2008

REGULATORY CAPITAL STANDARDS

Proposed Deduction of Goodwill Net of Associated Deferred Tax Liability

Summary: The federal banking agencies have jointly issued the attached Notice of Proposed Rulemaking (NPR) seeking comment on whether to allow goodwill, which must be deducted from Tier 1 capital, to be reduced by the amount of any associated deferred tax liability. The FDIC will accept comments on the NPR through October 30, 2008.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer

Related Topics:

Risk-Based Capital Standards
12 CFR Part 325

Attachment:

Notice of Proposed Rulemaking, Minimum Capital Ratios; Capital Adequacy Guidelines; Capital Maintenance; Capital: Deduction of Goodwill Net of Associated Deferred Tax Liability

Contact:

Christine Bouvier, Senior Policy Analyst (Bank Accounting), at cbouvier@fdic.gov or (202) 898-7289

Nancy Hunt, Senior Policy Analyst, at nhunt@fdic.gov or (202) 898-6643

Mark Handzlik, Senior Attorney, at mhandzlik@fdic.gov or (202) 898-3990

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2008/index.html.

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- Under the agencies' existing regulatory capital rules, certain assets that must be deducted from Tier 1 capital may be reduced by any deferred tax liability specifically related to the asset.
- In the attached NPR, the agencies propose to extend this treatment to goodwill acquired in a taxable business combination, thereby allowing a bank, bank holding company, or savings association to make the required deduction of goodwill from Tier 1 capital net of any associated deferred tax liability.
- The NPR also requests comment on whether there are other intangible assets currently required to be fully deducted from Tier 1 capital for which the agencies should consider a similar treatment.