



Bank Reports and Capital Standards

FIL-3-99
January 14, 1999

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Regulatory Reporting and Capital Guidance on the Financial Accounting Standards Board's Statement No. 133 – Derivatives and Hedging*

On December 29, 1998, the four federal banking agencies issued the attached joint press release providing interim regulatory reporting and capital guidance on the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133).

While FAS 133 does not become effective until fiscal years beginning after June 15, 1999, banks may adopt the standard early. This new accounting standard requires that all derivatives be recorded on the balance sheet as assets or liabilities at their fair value. It also significantly changes the accounting for derivatives used for hedging purposes and for financial instruments with certain types of embedded derivatives. These new accounting requirements may affect the amount of a bank's recorded assets, liabilities and equity, and corresponding regulatory capital levels.

The joint press release describes the appropriate regulatory reporting treatment for derivatives in Reports of Condition and Income (Call Reports) FILED by FDIC-supervised banks. The press release also explains how derivatives (as well as gains and losses on derivatives) should be treated under the FDIC's leverage and risk-based capital standards.

For further information, please contact Stephen G. Pfeifer (202-898-8904) or Robert F. Storch (202-898-8906) in the Division of Supervision's Accounting Section.

James L. Sexton
Director

[Attachment](#): Press Release 92-98: Interim Regulatory Reporting and Capital Guidance on FAS 133, "Accounting for Derivative Instruments and Hedging Activities"

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).