

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

February 23, 2004

**BANKING SUPERVISION AND REGULATION:
ACCOUNTING ADVISORY**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Accounting for Deferred Compensation Agreements (SR 04-4)

The Federal Reserve, along with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (the agencies), have issued the attached Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance (BOLI). Consistent with generally accepted accounting principles (GAAP), the advisory highlights the appropriate accounting for obligations under a type of deferred compensation agreement commonly referred to as a revenue neutral plan or an indexed retirement plan. The benefits payable under these plans are often based on the performance of investments in BOLI.

State member banks should review their accounting for these agreements to ensure that they are being properly reported in accordance with this advisory. Banks should reflect any necessary changes for these agreements in their March 31, 2004, Call Reports as described in the guidance. Banks are not required to file amended Call Reports unless specifically directed by their Federal Reserve Bank. While the interagency advisory applies to banks, it should also be followed by bank holding companies and U.S. branches and agencies of foreign banking organizations that file GAAP-based regulatory reports.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the SR 04-4 are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the above matter, please contact our Banking Supervision and Regulation Department at (415) 974-2936.

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Attachment:

[Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance \(BOLI\)](#)