

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Agencies Issue Final Rule for Regulatory Capital Standards Related to Statements of Financial Accounting Standards Nos. 166 and 167

The federal banking and thrift regulatory agencies announced on January 21, 2010 the final risk-based capital rule related to the Financial Accounting Standards Board's adoption of Statements of Financial Accounting Standards Nos. 166 and 167. These new accounting standards make substantive changes to how banking organizations account for many items, including securitized assets, that had been previously excluded from these organizations' balance sheets.

Banking organizations affected by the new accounting standards generally will be subject to higher risk-based regulatory capital requirements. The rule better aligns risk-based capital requirements with the actual risks of certain exposures. It also provides an optional phase-in for four quarters of the impact on risk-weighted assets and tier 2 capital resulting from a banking organization's implementation of the new accounting standards.

The final rule, issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of Thrift Supervision, will take effect 60 days after publication in the *Federal Register*, which is expected shortly. Banking organizations may choose to comply with the final rule as of the beginning of their first annual reporting period after November 15, 2009.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

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