

---

## **LEGAL UPDATES AND NEWS**

---

### **DEADLINE APPROACHING FOR OPT OUT ELECTION ON REGULATORY CAPITAL TREATMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME**

---

In 2013, the federal banking regulators adopted amendments to their regulations establishing minimum capital standards. Among other things, the amendments were designed to (i) incorporate principles of the Basel III agreement of the Basel Committee on Banking Supervision and (ii) implement changes directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The amended regulations were generally effective on January 1, 2015.

One aspect of the amended regulations is that Accumulated Other Comprehensive Income (“AOCI”) is generally included in regulatory capital. Net unrealized gains (losses) on available-for-sale debt securities are a component of AOCI. For institutions that are not “advanced approaches institutions” under the regulatory capital rules (generally, those under \$250 billion in consolidated assets), the amended regulations permit a one-time election to opt out of the requirement to include most components of AOCI in regulatory capital. *The election is permanent.* The opt out election, if desired, must be made on the Call Report for the quarter ended March 31, 2015, which is due by April 30, 2015. Institutions that opt out must make certain specified adjustments to common equity tier 1 capital to reflect the treatment of AOCI under the rules applicable prior to January 1, 2015. If an institution that exercises the opt out election is a subsidiary of a holding company subject to consolidated regulatory capital requirements, the holding company must make an identical election on its F.R.Y-9 Reserve Report to the Federal Reserve for the quarter ended March 31, 2015.

\* \* \*

Luse Gorman is one of the leading firms nationally in advising financial institutions on capital-raising, mergers and acquisitions, corporate and securities, regulatory and executive compensation/employee benefits matters. Please contact any of the attorneys listed below if you would like to discuss any information contained in this newsletter.

<b>Eric Luse</b>	■ (202) 274-2002	<a href="mailto:eluse@luselaw.com">eluse@luselaw.com</a>
<b>John J. Gorman</b>	■ (202) 274-2001	<a href="mailto:jgorman@luselaw.com">jgorman@luselaw.com</a>
<b>Joe Daly</b>	■ (202) 274-2034	<a href="mailto:jdaly@luselaw.com">jdaly@luselaw.com</a>
<b>Lawrence M.F. Spaccasi</b>	■ (202) 274-2037	<a href="mailto:lspaccasi@luselaw.com">lspaccasi@luselaw.com</a>
<b>Gary Lax</b>	■ (202) 274-2031	<a href="mailto:glax@luselaw.com">glax@luselaw.com</a>
<b>Kent M. Krudys</b>	■ (202) 274-2019	<a href="mailto:kkrudys@luselaw.com">kkrudys@luselaw.com</a>
<b>Kip Weissman</b>	■ (202) 274-2029	<a href="mailto:kweissman@luselaw.com">kweissman@luselaw.com</a>

[www.luselaw.com](http://www.luselaw.com)