FHLBank will only review Statements for completeness, as the Finance Board will conduct the actual review.

E. Notice to Public

At the same time that the FHLBank members selected for review are notified of their selection, each FHLBank will also notify community groups and other interested members of the public.

The purpose of this notification will be to solicit public comment on the Community Support records of the FHLBank members pending review.

Any person wishing to submit written comments on the Community Support performance of a FHLBank member under review in this quarter should send those comments to the member's FHLBank by the due date indicated in order to be considered in the review process.

Date: January 9, 1995.

By the Federal Housing Finance Board.

Nicolas P. Retsinas,

HUD Secretary's Designee to the Board.

[FR Doc. 95–887 Filed 1–12–95; 8:45 am]

BILLING CODE 6725–01–P

FEDERAL MARITIME COMMISSION

Ocean Freight Forwarder License; Applicants

Notice is hereby given that the following applicants have filed with the Federal Maritime Commission applications for licenses as ocean freight forwarders pursuant to section 19 of the Shipping Act of 1984 (46 U.S.C. app. 1718 and 46 CFR 510).

Persons knowing of any reason why any of the following applicants should not receive a license are requested to contact the Office of Freight Forwarders, Federal Maritime Commission, Washington, DC 20573.

Aries Freight Systems, Inc., 16554 Air Center Blvd., Bldg. C, Houston, TX 77032, Officers: John Daniel McIntyre, Jr., CEO, Jeffrey Lee McIntyre, President, Daniel Henry Fagerstrom, Vice President

Skyway International Cargo, Inc., 28551 Southfield Road, Suite B, Lathrup Village, MI 48076, Officers: Habib Fakhouri, President, George Majdalani, Vice President

Solano International, 347 Third Avenue, Bellmawr, NJ 08031, Paula (A.K.A. Penny) Solano, Sole Proprietor

Amerasa Rapid Transit USA Inc., dba Focus 21 Forwarding, 1440 Broadway, #606, Oakland, CA 94612, Officers: Richard Eber, President, Bin Li, Stockholder

Blue Sky, Blue Sea Company dba International Shipping Company (USA), 169 Frelinghuysen Avenue, Newark, NJ 07114, Officers: Ali Aelaei, President, Asad Ferasat, Vice President

Sunway International, Inc., 2531 Ambling Circle, Crofton, MD 21114, Officers: Qun Wu Yao, Vice President, Bangxiong Zhou, Vice President

Overseas Express Services, 8901 S. LaCienega Blvd., Suite 205A, Inglewood, CA 90301, Abdulrazak Morgan Farah, Sole Proprietor

Blue Sky Blue Sea, Inc. dba International Shipping Company, Cargo Building 68, JFK International Airport, Jamaica, NY 11430, Officers: Asad Ferasat, President, Vahe Mekertichian, Vice President

L.A. Matrix, Inc., 20815 S. Belshaw, Carson, CA 90749, Officers: Douglas Cruikshank, Co-President, Ronald S. Cruse, Co-President

Bay Area Matrix, Inc., 14072 Catalina Street, San Leandro, CA 94577, Officers: Douglas Cruikshank, Co-President, Ronald S. Cruse, Treasurer

Dated: January 10, 1995.

By the Federal Maritime Commission.

Joseph C. Polking,

Secretary.

[FR Doc. 95–959 Filed 1–12–95; 8:45 am]

BILLING CODE 6730–01–M

FEDERAL RESERVE SYSTEM

Report to Congressional Committees Regarding Differences in Capital and Accounting Standards Among the Federal Banking and Thrift Agencies

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: This report to the Committee on Banking, Housing, and Urban Affairs of the United States Senate and to the Committee on Banking, Finance and Urban Affairs of the United States House of Representatives has been prepared by the Federal Reserve Board pursuant to section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991. Section 121 requires each Federal banking and thrift agency to report annually to the above specified Congressional Committees regarding any differences between the accounting or capital standards used by such agency and the accounting or capital standards used by other banking and thrift agencies. The report must also contain an explanation of the reasons for any discrepancy in such accounting or capital standards.

FOR FURTHER INFORMATION CONTACT: Rhoger H Pugh, Assistant Director (202)/728–5883), Norah M. Barger, Manager (202/452–2402), Gerald A. Edwards, Jr., Assistant Director (202/452–2741), Robert Motyka, Supervisory Financial Analyst (202/452–3621), Nancy J. Rawlings, Senior Financial Analyst (202/452–3059), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452–3544), Board of Governors of the Federal Reserve System, 20th & C Street, N.W., Washington, D.C. 20551.

Introduction and Overview

This is the fifth annual report [1] on the differences in capital standards and accounting practices that currently exist among the three banking agencies (the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC)) and the Office of Thrift Supervision (OTS).[2] Section One of the report focuses on differences in the agencies' capital standards; Section Two discusses differences in accounting standards. The remainder of this introduction provides an overview of the discussion contained in these sections.

Capital Standards

As stated in the previous reports to the Congress, the three bank regulatory agencies have, for a number of years, employed a common regulatory framework that establishes minimum capital adequacy ratios for commercial banking organizations. In 1989, all three banking agencies and the OTS adopted a risk-based capital framework that was based upon the international capital accord (Basle Accord) developed by the Basle Committee on Banking Regulations and Supervisory Practices (referred to as the Basle Supervisors' Committee) and endorsed by the central bank governors of the G–10 countries.

The risk-based capital framework establishes minimum ratios of total and

[1] The first two reports prepared by the Federal Reserve Board were made pursuant to section 1215 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The third and fourth reports were made pursuant to section 121 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), which superseded section 1215 of FIRREA.

[2] At the federal level, the Federal Reserve System has primary supervisory responsibility for state-chartered banks that are members of the Federal Reserve System as well as all bank holding companies. The FDIC has primary responsibility for state nonmember banks and FDIC-supervised savings banks. National banks are supervised by the OCC. The OTS has primary responsibility for savings and loan associations.

Tier 1 (core) capital to risk-weighted assets. The Basle Accord requires banking organizations to have total capital equal to at least 8 percent, and Tier 1 capital equal to at least 4 percent, of risk-weighted assets after a phase-in period that ended on December 31, 1992. Tier 1 capital is principally comprised of common shareholders' equity and qualifying perpetual preferred stock, less disallowed intangibles, such as goodwill. The other component of total capital, Tier 2, may include certain supplementary capital items, such as general loan loss reserves and subordinated debt. The risk-based capital requirements are viewed by the three banking agencies and the OTS as minimum standards, and most institutions are expected to, and generally do, maintain capital levels well above the minimums.

In addition to specifying identical ratios, the risk-based capital framework implemented by the three banking agencies includes a common definition of regulatory capital and a uniform system of risk weights and categories. While the minimum standards and risk weighting framework are common to all the banking agencies, there are some technical differences in language and interpretation among the agencies. The OTS employs a similar risk-based capital framework, although it differs in some respects from that adopted by the three banking agencies. These differences, as well as other technical differences in the agencies' capital standards, are discussed in Section One of this report.

In addition to the risk-based capital requirements, the agencies also have established leverage standards setting forth minimum ratios of capital to total assets. As discussed in Section One, the three banking agencies employ uniform leverage standards, while the OTS has established, pursuant to FIRREA, somewhat different standards.

The staffs of the agencies meet regularly to identify and address differences and inconsistencies in their capital standards. The agencies are committed to continuing this process in an effort to achieve full uniformity in their capital standards. In this regard, Section One contains discussions of the banking agencies' efforts during the past year to achieve uniformity with respect to the capital treatment of the sale of assets with recourse, implementation of proposed amendments made by the Basle Supervisors' Committee to the Basle Accord, and the capital treatment of assets to address recent accounting changes issued by the Financial Accounting Standards Board (FASB).

In addition, the agencies have continued to coordinate efforts in revising the risk-based capital requirements as required by provisions of section 305 of FDICIA to take into account interest rate risk and risks arising from concentrations of credit and nontraditional activities. With regard to interest rate risk, the agencies, on the basis of public comments received, are considering a revision to their notice of proposed rulemaking issued on September 14, 1993, that is expected to be issued sometime in the near future. With regard to the risks arising from concentrations of credit and nontraditional activities, in 1994 the Federal Reserve, FDIC, and OTS approved uniform final rules. These rules will become effective once the OCC's final rule has been approved, as it is expected to be in the near future.

During 1994, one difference between the risk-based capital guidelines of the three banking agencies and the OTS was eliminated. The difference concerned the treatment of multifamily mortgages. The three banking agencies had placed such mortgages in the 100 percent risk category, while the OTS had permitted a 50 percent risk weight for multifamily mortgage loans secured by buildings with 5–36 units with at least an 80 percent loan-to-value ratio and 80 percent occupancy rate. Late last year and early this year, the three banking agencies and OTS adopted uniform amendments to their rules to implement section 618(b) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991. This Act mandated the lowering under the risk-based capital framework of the risk category for multifamily loans meeting certain criteria to 50 percent.

Accounting Standards

Over the years, the three banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have developed Uniform Reports of Condition and Income (Call Reports) for all commercial banks and FDIC-supervised savings banks. The reporting standards followed by the three banking agencies are substantially consistent, aside from a few limited exceptions, with generally accepted accounting principles (GAAP) as they are applied by commercial banks.[3] The uniform bank Call Report serves as the basis for calculating risk-based capital and leverage ratios, as well as for other regulatory purposes. Thus, material differences in regulatory accounting and reporting standards among commercial banks and FDIC-supervised savings banks do not exist.

The OTS requires each thrift institution to file the Thrift Financial Report (TFR), which is generally consistent with GAAP. The TFR differs in some respects from the bank Call Report in that, as previously mentioned, there are a few areas in which the bank Call Report departs from GAAP. A summary of the differences between the bank Call Report and the TFR is presented in Section Two.

As in the past, the agencies are continuing interagency efforts to reduce paperwork and regulatory burdens. The Federal Reserve has taken a leadership role in coordinating these efforts in developing supervisory guidance to further improve regulatory reporting requirements. For example, during 1994 Federal Reserve and FASB officials have met to discuss major accounting issues affecting the banking industry, as well as the remaining few differences between GAAP and regulatory reporting standards. The agencies are also working on projects that are intended to refine and improve policies and address the few reporting differences that currently exist between the banking agencies and the OTS. On December 21, 1993, the three banking agencies and the OTS, under the auspices of the FFIEC, issued an interagency policy statement on the allowance for loan and lease losses (ALLL). The policy statement, which was developed on an interagency basis to provide comprehensive guidance on the ALLL, is consistent with GAAP. The agencies are also coordinating actions to reduce the possibility that new differences in accounting and reporting policies may arise. In this regard, the agencies recently adopted the same regulatory reporting requirements for FAS 114, a new accounting standard covering loan impairment that becomes effective in 1995.

Section One

Differences in Capital Standards Among Federal Banking and Thrift Supervisory Agencies

Overview

Leverage Capital Ratios

The three banking agencies employ a leverage standard based upon the common definition of Tier 1 capital contained in their risk-based capital guidelines. These standards, established in the second half of 1990 and in early 1991, require the most highly-rated

[3] In those cases where bank Call Report standards are different from GAAP, the regulatory reporting requirements are intended to be more conservative than GAAP.

institutions to meet a minimum Tier 1 capital ratio of 3 percent. For all other institutions, these standards generally require an additional cushion of at least 100 to 200 basis points, i.e., a minimum leverage ratio of at least 4 to 5 percent, depending upon an organization's financial condition.

As required by FIRREA, the OTS has established a 3 percent core capital ratio and a 1.5 percent tangible capital leverage requirement for thrift institutions. However, the OTS has not yet finalized a new leverage rule, which has been under consideration for some time. This leverage rule is intended to conform to the leverage rules of the three banking agencies. The differences that will exist after the OTS has adopted its new standard pertain to the definition of core capital. While this definition generally conforms to Tier 1 bank capital, certain adjustments discussed in this report apply to the core capital definition used by savings associations. In addition, core capital as currently defined by the OTS includes qualifying supervisory goodwill. By the end of 1994, such goodwill will be phased out of thrift core capital. Therefore, beginning with the first quarter of 1995, the treatment of goodwill for thrift institutions will be consistent with that of the banking agencies.

Risk-Based Capital Ratios

The three banking agencies have adopted risk-based capital standards consistent with the Basle Accord. These standards, which were fully phased in at the end of 1992, require all commercial banking organizations to maintain a minimum ratio of total capital (Tier 1 plus Tier 2) to risk-weighted assets of 8 percent. Tier 1 capital includes common stock and surplus, retained earnings, qualifying perpetual preferred stock and surplus, and minority interests in consolidated subsidiaries, less goodwill. Tier 1 capital must comprise at least 50 percent of the total risk-based capital requirement. Tier 2 capital includes such components as general loan loss reserves, subordinated term debt, and certain other preferred stock and convertible debt capital instruments, subject to appropriate limitations and conditions. Risk-weighted assets are calculated by assigning risk weights of 0, 20, 50, and 100 percent to broad categories of assets and off-balance sheet items based upon their relative credit risks. The OTS has adopted a risk-based capital standard that in most respects is similar to the framework adopted by the banking agencies.

All the banking agencies view the risk-based capital standard as a minimum supervisory benchmark. In part, this is because the risk-based capital standard focuses primarily on credit risk; it does not take full or explicit account of certain other banking risks, such as exposure to changes in interest rates. The full range of risks to which depository institutions are exposed are reviewed and evaluated carefully during on-site examinations. In view of these risks, most banking organizations are expected to operate with capital levels well above the minimum risk-based and leverage capital requirements.

Efforts to Incorporate Non-Credit Risks

The Federal Reserve has for some time been working with the other U.S. banking agencies and the regulatory authorities on the Basle Supervisors' Committee to develop possible methods to measure and address certain market and price risks. In April, 1993, the Basle Supervisors' Committee issued a consultative paper that addresses, among other items, proposals to include certain risks into the framework of the Basle Accord. These include interest rate risk arising from imbalances between the maturity of debt instruments held as assets and issued as liabilities and market risk associated with holdings of traded debt and equity securities. One important reason for addressing these risks on an international level is to develop supervisory approaches that do not undermine the competitiveness of U.S. banking organizations.

Aside from this initial international effort, the OTS capital standards for some time have taken into account interest rate risk, and, in August, 1992, the FRB, OCC, and FDIC sought public comment on a proposed framework for incorporating into their capital standards interest rate risk, as required under section 305 of FDICIA. In response to concerns raised and recommendations made by commenters, on September 14, 1993, the three banking agencies issued for public comment a substantially modified proposal on interest rate risk. Throughout 1994, the agencies have been meeting to review the public comments and consider the alternative approaches offered by the commenters. It is anticipated that the banking agencies will issue a revised notice of proposed rulemaking in early 1995 that will provide certain modifications and enhancements to the proposal to address concerns expressed by public commenters. The approach ultimately adopted by the banking agencies could differ from that already taken by the OTS.

Section 305 of FDICIA also requires the banking agencies to amend their risk-based capital rules to take into account concentrations of credit risk and nontraditional activities. The agencies proposed an amendment implementing this requirement in February, 1994. On August 3, 1994, the Federal Reserve approved an amendment to its risk-based capital guidelines to identify explicitly concentrations of credit risk and an institution's ability to manage them as important factors in assessing an institution's overall capital adequacy. The amendments also indicate that an institution's ability to adequately manage the risks posed by nontraditional activities affects its risk exposure.

Recent Interagency Efforts

In addition to coordinating efforts to incorporate noncredit risks, the agencies worked together during 1994 to issue proposals for public comment that would amend the agencies' respective risk-based capital standards with respect to: (1) The sale of assets with recourse; (2) the recognition of bilateral netting arrangements for derivative contracts; (3) higher capital charges for long-dated derivative contracts and reduced capital charges for the potential future exposure of contracts that are affected by netting arrangements; and (4) the definition of the OECD-based group of countries for the purpose of specifying country transfer risk. The agencies also coordinated efforts to make modifications in their capital guidelines in light of recent changes in accounting standards.

Recourse

The agencies issued a joint proposal on May 24, 1994, that would amend their respective risk-based capital guidelines with regard to assets sold with recourse and direct credit substitutes. This publication, which included a notice and an advanced notice of proposed rulemakings, was a culmination of several attempts by the agencies to resolve important differences on this issue. The notice of proposed rulemaking is intended to allow banking organizations to maintain lower amounts of capital against low-level recourse transactions. The advanced notice of proposed rulemaking is a preliminary proposal to use credit ratings to match the risk-based capital assessment more closely to an institution's relative risk of loss in certain asset securitizations. The comment period for these proposals ended on July 25, 1994. The agencies are reviewing the comments received.

Bilateral Netting Arrangements

In response to industry recommendations, and pursuant to the consultative paper the Basle Supervisors' Committee issued in April, 1993, the staffs of the four agencies in 1994 made uniform proposals to amend their risk-based capital standards to recognize bilateral netting arrangements associated with interest and exchange rate contracts. To qualify for netting treatment, netting arrangements would have to genuinely reduce credit risk and be legally enforceable in all relevant jurisdictions as evidenced by well-founded and reasoned legal opinions. A final rule on this matter was adopted by the Board on December 2, 1994, and the other agencies are expected to issue final rules in the near future.

Derivative Contracts and Recognizing the Effects of Netting on Potential Future Exposure

The agencies worked together on proposing amendments to their respective risk-based capital guidelines that are based on proposed revisions to the Basle Accord that the Basle Supervisors' Committee initiated in July 1994. The Board issued for public comment, on August 22, 1994, a proposed rulemaking that would: (1) increase the capital charge for the potential future counterparty exposure of interest and exchange rate contracts that are over five years in remaining maturity, as well as of equity, precious metals, and other commodity-related contracts; and (2) recognize the effects of bilateral netting arrangements in calculating the potential future exposure for contracts subject to qualifying netting arrangements. The agencies have been coordinating their efforts to review the public comments and to draft final rules on these proposals. The final amendments to the agencies' risk-based capital standards are contingent upon an endorsement by the G–10 Governors of a final revision to the Basle Accord.

Country Transfer Risk

In July 1994, the G–10 Governors announced their intention to modify the Basle Accord in 1995 with regard to country transfer risk. Specifically, it was agreed to revise the definition of the OECD-based group of countries [4] that are accorded a preferential risk weight. The revision would retain the OECD-based group of countries as the principle criterion for preferential risk weight status, but exclude for five years any country that reschedules its external sovereign debt. The Board and the OCC issued a joint notice of proposed rulemaking on October 14, 1994, that seeks public comment on an amendment to their respective risk-based capital guidelines. The FDIC and OTS expect to issue similar proposals in 1995.

Capital Impact of Recent Changes to Accounting Standards

Recently, FASB issued pronouncements concerning new and modified financial accounting standards. The adoption of some of these standards for regulatory reporting purposes had the potential of affecting the definition and calculation of regulatory capital. Accordingly, the staffs of the agencies worked together to propose uniform regulatory capital responses to such accounting changes. Over this past year, the agencies dealt with the accounting issues, described below.

FAS 115, ''Accounting for Certain Investments in Debt and Equity Securities.''

The staffs of the four agencies met this year to discuss the public comments received in response to proposed amendments, issued in 1993 and early 1994, to their respective risk-based capital standards that would include in Tier 1 capital the net unrealized changes in value of securities available for sale for purposes of calculating the risk-based and leverage capital ratios of banking organizations. The proposals, which were in response to the recently adopted FAS 115, also requested comment on several alternative approaches, one of which was to not adopt FAS 115 for capital purposes. On November 10, 1994, the FFIEC recommended to the agencies that they not adopt FAS 115 for capital purposes. Acting on this recommendation, the Board, on November 30, 1994, adopted a final rule effective December 31, 1994. Under the final rule, institutions are generally directed not to include in Tier 1 capital the component of common stockholders' equity, net unrealized holding gains and losses on securities available for sale that was created by FAS 115. The other agencies are expected to issue similar rules in the near future.

FAS 109, ''Accounting for Income Taxes.''

The agencies issued in 1993 proposals to limit the amount of deferred tax assets includable in calculating Tier 1 capital. Under the proposals, certain deferred tax assets are limited to the lesser of 10 percent of Tier 1 capital or the amount of such assets the institution expects to realize in the subsequent year. On November 18, 1994, the FFIEC recommended that the agencies finalize these proposals. The agencies are preparing to issue final rules that will be made effective early in 1995.

FAS 114, ''Accounting by Creditors for Impairment of a Loan.''

On May 17, 1994, the agencies issued a joint request for comment regarding certain implementation issues arising from the agencies' recent adoption for regulatory reporting purposes of FAS 114. FAS 114 presents a methodology for calculating the loan loss reserve for certain loans that is based on present value considerations. Through the FFIEC, the agencies, on November 18, 1994, announced a decision that the current reporting of nonaccrual loans would be maintained and the allowances calculated under FAS 114 are to be reported as part of the general allowance.

Specific Capital Differences

Differences among the risk-based capital standards of the OTS and the three banking agencies are discussed below.

Certain collateralized transactions

On December 23, 1992, the Federal Reserve Board issued an amendment to its risk-based and leverage capital guidelines that lowers from 20 to 0 percent the risk category for collateralized transactions meeting certain criteria. This preferential treatment is only available for claims collateralized by cash on deposit in the bank or by securities issued or guaranteed by OECD central governments or U.S. government agencies. In addition, a positive margin of collateral must be maintained on a daily basis fully taking into account any change in the banking organization's exposure to the obligor or counterparty under a claim in relation to the market value of the collateral held in support of that claim.

As reported in last year's report, the OCC, on August 18, 1993, issued a proposal for public comment that would also lower the risk weight for certain collateralized transactions. At the time of this report, a final rule has not been approved. The FDIC and OTS are considering similar proposals.

Equity Investments

In general, commercial banks that are members of the Federal Reserve System

[4] The OECD-based group of countries currently includes members of the Organization of Economic Cooperation and Development and countries that have concluded special lending arrangements with the International Monetary Fund (IMF) associated with the Fund's General Arrangements to Borrow. Saudi Arabia is the only non-OECD country that has concluded such arrangements.

are not permitted to invest in equity securities, nor are they generally permitted to engage in real estate investment or development activities. To the extent that commercial banks are permitted to hold equity securities (for example, in connection with debts previously contracted), the three banking agencies generally assign such investments to the 100 percent risk category for risk-based capital purposes.

Under the three banking agencies' rules, the agencies may, on a case-by-case basis, deduct equity investments from the parent bank's capital or make other adjustments, if necessary, to assess an appropriate capital charge above the minimum requirement. The banking agencies' treatment of investments in subsidiaries is discussed below.

The OTS risk-based capital standards require that thrift institutions deduct certain equity investments from capital over a phase-in period, which ended on July 1, 1994, as explained more fully below in the section on subsidiaries.

FSLIC/FDIC-covered assets (assets subject to guarantee arrangements by the FSLIC or FDIC)

The three banking agencies generally place these assets in the 20 percent risk category, the same category to which claims on depository institutions and government-sponsored agencies are assigned.

The OTS places these assets in the zero percent risk category.

Repossessed assets and assets more than 90 days past due

The three banking agencies require that foreclosed real estate be written down to fair value (see Section Two of this report, ''Specific Valuation Allowances for, and Charge-Offs of, Troubled Real Estate Loans not in Foreclosure'' for further details) with the resulting asset assigned to the 100 percent risk category. The write-down effectively results in a reduction of capital. Assets 90 days or more past due, including 1- to 4-family residential mortgages, are assigned to the 100 percent risk category. If and when such assets are eventually charged off, capital is effectively adjusted for any resulting loss.

Consistent with the Basle Accord, the 100 percent risk category is the highest risk category under the risk-based capital guidelines of the three banking agencies. As noted above, however, the bank risk-based capital standards represent minimum ratios. Organizations with high levels of risk, including a significant volume of nonperforming or past due assets, are expected to maintain capital ratios above minimum levels. Thus, the risk-based capital framework of the banking agencies provides the flexibility to require higher levels of capital against assets of this type.

The OTS risk-based capital framework assigns a 200 percent risk weight to repossessed assets (generally referred to as real estate owned or REO) and assets more than 90 days past due. An exception exists for 1- to 4-family residential mortgages more than 90 days past due, which are assigned to the 100 percent risk category. The OTS intends to change the risk weight for all REO to 100 percent in conjunction with recent changes in the accounting for REO.

Limitation on subordinated debt and limited-life preferred stock

Consistent with the Basle Accord, the three banking agencies limit the amount of subordinated debt and limited-life preferred stock that may be included in Tier 2 capital. This limit, in effect, states that these components together may not exceed 50 percent of Tier 1 capital. In addition, maturing capital instruments must be discounted by 20 percent in each of the last five years prior to maturity.

Neither subordinated debt nor limited-life preferred stock is a permanent source of funds, and subordinated debt cannot absorb losses while the bank continues to operate as a going-concern. On the other hand, both capital components can provide a cushion of protection to the FDIC insurance fund. Thus, the 50 percent limitation permits the inclusion of some subordinated debt in capital, while assuring that permanent stockholders' equity capital remains the predominant element in bank regulatory capital.

The OTS has no limitation on the total amount of limited-life preferred stock or maturing capital instruments that may be included within Tier 2 capital. In addition, the OTS allows thrifts the option of: (1) Discounting maturing capital instruments issued on or after November 7, 1989, by 20 percent a year over the last 5 years of their term—the approach required by the banking agencies; or (2) including the full amount of such instruments provided that the amount maturing in any of the next seven years does not exceed 20 percent of the thrift's total capital.

Subsidiaries

Consistent with the Basle Accord and long-standing supervisory practices, the three banking agencies generally consolidate all significant majority-owned subsidiaries of the parent organization for capital purposes. This consolidation assures that the capital requirements are related to all of the risks to which the banking organization is exposed.

As with most other bank subsidiaries, banking and finance subsidiaries generally are consolidated for regulatory capital purposes. However, in cases where banking and finance subsidiaries are not consolidated, the Federal Reserve, consistent with the Basle Accord, generally deducts investments in such subsidiaries in determining the adequacy of the parent bank's capital.

The Federal Reserve's risk-based capital guidelines provide a degree of flexibility in the capital treatment of unconsolidated subsidiaries (other than banking and finance subsidiaries) and investments in joint ventures and associated companies. For example, the Federal Reserve may deduct investments in such subsidiaries from an organization's capital, may apply an appropriate risk-weighted capital charge against the proportionate share of the assets of the entity, may require a line-by-line consolidation of the entity, or otherwise may require that the parent organization maintain a level of capital above the minimum standard that is sufficient to compensate for any risks associated with the investment.

The guidelines also permit the deduction of investments in subsidiaries that, while consolidated for accounting purposes, are not consolidated for certain specified supervisory or regulatory purposes. For example, the Federal Reserve deducts investments in, and unsecured advances to, Section 20 securities subsidiaries from the parent bank holding company's capital. The FDIC accords similar treatment to securities subsidiaries of state nonmember banks established pursuant to Section 337.4 of the FDIC regulations.

Similarly, in accordance with Section 325.5(f) of the FDIC regulations, a state nonmember bank must deduct investments in, and extensions of credit to, certain mortgage banking subsidiaries in computing the parent bank's capital. (The Federal Reserve does not have a similar requirement with regard to mortgage banking subsidiaries. The OCC does not have requirements dealing specifically with the capital treatment of either mortgage banking or securities subsidiaries. The OCC, however, does reserve the right to require a national bank, on a case-by-case basis, to deduct from capital investments in, and extensions of credit to, any nonbanking subsidiary.)

The deduction of investments in subsidiaries from the parent's capital is designed to ensure that the capital supporting the subsidiary is not also used as the basis of further leveraging and risk-taking by the parent banking organization. In deducting investments in, and advances to, certain subsidiaries from the parent's capital, the Federal Reserve expects the parent banking organization to meet or exceed minimum regulatory capital standards without reliance on the capital invested in the particular subsidiary. In assessing the overall capital adequacy of banking organizations, the Federal Reserve may also consider the organization's fully consolidated capital position.

Under the OTS capital guidelines, a distinction, mandated by FIRREA, is drawn between subsidiaries that are engaged in activities that are permissible for national banks and subsidiaries that are engaged in "impermissible" activities for national banks. Subsidiaries of thrift institutions that engage only in permissible activities are consolidated on a line-by-line basis if majority-owned and on a pro rata basis if ownership is between 5 percent and 50 percent. As a general rule, investments, including loans, in subsidiaries that engage in impermissible activities are deducted in determining the capital adequacy of the parent. However, investments, including loans, outstanding as of April 12, 1989, to subsidiaries that were engaged in impermissible activities prior to that date are grandfathered and were phased-out of capital over a transition period that expired on July 1, 1994. During this transition period, investments in subsidiaries engaged in impermissible activities that have not been phased-out of capital were consolidated on a pro rata basis.

Nonresidential Construction and Land Loans

The three banking agencies assign loans for real estate development and construction purposes to the 100 percent risk category. Reserves or charge-offs are required, in accordance with examiner judgment, when weaknesses or losses develop in such loans. The banking agencies have no requirement for an automatic charge-off when the amount of a loan exceeds the fair value of the property pledged as collateral for the loan.

The OTS generally assigns these loans to the 100 percent risk category. However, if the amount of the loan exceeds 80 percent of the fair value of the property, that excess portion must be deducted from capital in accordance with a phase-in arrangement, which ended on July 1, 1994.

Mortgage-Backed Securities (MBS)

The three banking agencies, in general, place privately-issued MBSs in a risk category appropriate to the underlying assets but in no case to the zero percent risk category. In the case of privately-issued MBSs where the direct underlying assets are mortgages, this treatment generally results in a risk weight of 50 percent or 100 percent. Privately-issued MBSs that have government agency or government-sponsored agency securities as their direct underlying assets are generally assigned to the 20 percent risk category.

The OTS assigns privately-issued high quality mortgage-related securities to the 20 percent risk category. These are, generally, privately-issued MBSs with AA or better investment ratings.

At the same time, both the banking and thrift agencies automatically assign to the 100 percent risk weight category certain MBSs, including interest-only strips, residuals, and similar instruments that can absorb more than their pro rata share of loss. The Federal Reserve, in conjunction with the other banking agencies and the OTS, issued, on January 10, 1992, more specific guidance as to the types of "high risk" MBSs that will qualify for a 100 percent risk weight.

Assets Sold With Recourse

In general, recourse arrangements allow the purchaser of an asset to "put" the asset back to the originating institution under certain circumstances, for example if the asset ceases to perform satisfactorily. This, in turn, can expose the originating institution to any loss associated with the asset. As a general rule, the three banking agencies require that sales of assets involving any recourse be reported as financings and that the assets be retained on the balance sheet. This effectively requires a full leverage and risk-based capital charge whenever assets are sold with recourse, including limited recourse. The Federal Reserve generally applies a capital charge to any off-balance sheet recourse arrangement that is the equivalent of a guarantee, regardless of the nature of the transaction that gives rise to the recourse obligation.

An exception to this general rule for the three banking organizations involves pools of 1- to 4-family residential mortgages and to certain farm mortgage loans. Certain recourse transactions involving these assets are reported in the bank Call Report as sales, and, thus, are not included in the asset base used in calculating the Tier 1 leverage ratio. For risk-based capital purposes, however, the amount of such mortgages sold with recourse is generally treated as an off-balance sheet guarantee, and assessed a capital charge.

In general, the OTS also requires a full risk-based capital charge against assets sold with recourse. However, in the case of assets sold with recourse, the OTS limits the capital charge to the lesser of the amount of recourse or the actual amount of capital that would otherwise be required against that asset, that is, the normal full capital charge.

Some securitized asset arrangements involve the issuance of senior and subordinated classes of securities against pools of assets. When a bank originates such a transaction by placing loans that it owns in a trust and retaining any portion of the subordinated securities, the banking agencies require that capital be maintained against the entire amount of the asset pool. When a bank acquires a subordinated security in a pool of assets that it did not originate, the banking agencies assign the investment in the subordinated piece to the 100 percent risk-weight category. The Federal Reserve carefully reviews these instruments to determine if additional reserves, asset write-downs, or capital are necessary to protect the bank.

The OTS requires that risk-based capital be maintained against the entire amount of the asset pool in both of the situations described in the preceding paragraph. Additionally, the OTS applies a capital charge to the full amount of assets being serviced when the servicer is required to absorb credit losses on the assets being serviced.

On May 25, 1994, the three banking agencies and the OTS, under the auspices of the FFIEC, sought public comment on various aspects of the capital treatment of recourse transactions by publishing a Notice of Proposed Rulemaking (NPR) and an Advance Notice of Proposed Rulemaking (ANPR), which is a more preliminary step in the formal rulemaking process. The comment period ended July 25, 1994.

The NPR proposed to amend the banking agencies' risk-based capital guidelines by:

(1) Reducing the risk-based capital charge for "low level" recourse arrangements to an amount equal to the maximum contractual recourse obligation;

(2) Requiring equivalent capital treatment of recourse arrangements and direct credit substitutes that provide first dollar loss protection. This would increase the capital assessment for *first loss* standby letters of credit and purchased subordinated interests that

only provide partial credit enhancement; and

(3) Defining ''recourse'' and associated terms such as ''standard representations and warranties.''

The ANPR proposed incorporating into the risk-based capital guidelines a framework based on formal credit ratings for assessing capital against exposures with different levels of risk in certain asset securitizations. Thus, the more risky a particular risk position with a securitized transaction, the higher the capital charge.

Staffs of the agencies are reviewing public comments, particularly in light of the Reigle Community Development and Regulatory Improvement Act of 1994 (Act), which was signed into law on September 23, 1994. Section 350 of the Act requires the banking agencies, by the end of March 1995, to promulgate regulations that better reflect the exposure of an insured depository institution to credit risk from transfers of assets with recourse. At a minimum, these regulations must limit the amount of required capital to be held against assets sold with recourse to the maximum amount of recourse for which the ''selling'' institution is contractually liable. The staffs of the agencies are working to issue by the end of March 1994 a final rule incorporating the proposed ''low level'' recourse treatment in order to meet the legislative requirements of section 350. Staffs of the agencies are also continuing their work on developing proposals to make the capital requirements for recourse transactions more commensurate with the actual risk inherent in the transactions.

Agricultural Loan Loss Amortization

In the computation of regulatory capital, those banks accepted into the agricultural loan loss amortization program pursuant to Title VIII of the Competitive Equality Banking Act of 1987 are permitted to defer and amortize losses incurred on agricultural loans between January 1, 1984 and December 31, 1991. The program also applies to losses incurred between January 1, 1983 and December 31, 1991, as a result of reappraisals and sales of agricultural Other Real Estate Owned (OREO) and agricultural personal property. These loans must be fully amortized over a period not to exceed seven years and, in any case, must be fully amortized by year-end 1998. Thrifts are not eligible to participate in the agricultural loan loss amortization program established by this statute.

Treatment of Junior Liens on 1- to 4-Family Properties

In some cases, a banking organization may make two loans on a single residential property, one loan secured by a first lien, the other by a second lien. In such a situation, the Federal Reserve views these two transactions as a single loan, provided there are no intervening liens. This could result in assigning the total amount of these transactions to the 100 percent risk weight category, if, in the aggregate, the two loans exceeded a prudent loan-to-value ratio and, therefore, did not qualify for the 50 percent risk weight. This approach is intended to avoid possible circumvention of the capital requirements and capture the risks associated with the combined transactions.

The FDIC, OCC, and the OTS generally assign the loan secured by the first lien to the 50 percent risk-weight category and the loan secured by the second lien to the 100 percent risk-weight category.

Pledged Deposits and Nonwithdrawable Accounts

The capital guidelines of the OTS permit thrift institutions to include in capital certain pledged deposits and nonwithdrawable accounts that meet the criteria of the OTS. Income Capital Certificates and Mutual Capital Certificates held by the OTS may also be included in capital by thrift institutions. These instruments are not relevant to commercial banks, and, therefore, they are not addressed in the three banking agencies' capital guidelines.

Mutual Funds

The three banking agencies generally assign all of a bank's holdings in a mutual fund to the risk category appropriate to the highest risk asset that a particular mutual fund is permitted to hold under its operating rules. The purpose of this is to take into account the maximum degree of risk to which a bank may be exposed when investing in a mutual fund in view of the fact that the future composition and risk characteristics of the fund's holding cannot be known in advance.

The OTS applies a capital charge appropriate to the riskiest asset that a mutual fund is actually holding at a particular time. In addition, both the OTS and the OCC guidelines also permit, on a case-by-case basis, investments in mutual funds to be allocated on a pro rata basis in a manner consistent with the actual composition of the mutual fund.

Section Two

Differences in Accounting Standards Among Federal Banking and Thrift Supervisory Agencies

Under the auspices of the FFIEC, the three banking agencies have developed uniform reporting requirements for commercial banks to be used in the preparation of the Call Report. The FDIC has also applied these uniform reporting requirements to savings banks under its supervision. The income statement and balance sheet accounts presented in the Call Report are used by the bank supervisory agencies for determining the capital adequacy of banks. The data collected in this report also are used for other regulatory, supervisory, analytical, and statistical purposes, and provide information to the Federal Reserve for the conduct of monetary policy.

Section 121 of FDICIA states that ''accounting principles applicable to reports or statements required to be filed by all insured depository institutions with federal banking agencies shall be uniform and consistent with generally accepted accounting principles (GAAP).'' Under section 121, the objectives of accounting principles applicable to such reports and statements are to:

1. Result in financial statements and reports of condition that accurately reflect the institution's capital;
2. Facilitate effective supervision of depository institutions; and
3. Facilitate prompt corrective action at least cost to the insurance funds.

Section 121 further states that a federal banking agency may ''prescribe an accounting principle . . . which is no less stringent than GAAP'' when the agency determines that ''the application of any generally accepted accounting principle is inconsistent with the objectives'' of accounting principles noted above.

Section 121 of FDICIA thus requires the Federal Reserve and the other federal banking agencies to set forth reporting requirements in the Call Report that are consistent with, or no less stringent than, GAAP. The reporting requirements for the Call Report are substantially consistent with GAAP as applied by commercial banks, aside from a few limited exceptions. As a matter of long-standing policy, the reporting requirements for Call Reports depart from GAAP only in those instances where statutory requirements or overriding supervisory concerns warrant a departure from GAAP. Furthermore, in those cases where the reporting requirements for bank Call Reports are different from GAAP, they are more conservative than GAAP.

Thus, bank regulatory reporting requirements are consistent with the objectives and mandate of FDICIA Section 121.

The agencies have been working to limit the number of differences between regulatory reporting requirements and GAAP. In some cases, however, differences will exist when there is a need to address supervisory concerns. In addition, the agencies have been working closely to coordinate any new accounting and reporting policies, to ensure consistency among the agencies and to reduce or eliminate differences with GAAP.

The OTS has developed and maintains a separate reporting system for the thrift institutions under its supervision. The financial report for thrifts, or TFR, is based on GAAP as applied by thrifts.

A summary of the primary differences in regulatory reporting requirements between the three bank agencies and the OTS is set forth below. The information is based on a study developed on an interagency basis.

Futures and Forward Contracts

The banking agencies, as a general rule, do not permit the deferral of losses by banks on futures and forwards regardless of whether they are used for hedging purposes. All changes in market value of futures and forward contracts are reported in current period income. The banking agencies adopted this reporting requirement as a supervisory policy prior to the adoption of FASB Statement No. 80, which allows hedge or loss deferral accounting, under certain circumstances. Hedge accounting in accordance with FASB Statement No. 80 is permitted by the banking agencies only in the case of futures and forward contracts used in mortgage banking operations.

The OTS practice is to follow FASB Statement No. 80 for futures contracts. In accordance with this statement, when hedging criteria are satisfied, the accounting for the futures contract is related to the accounting treatment for the hedged item. Changes in the market value of the futures contract are recognized in income when the effects of related changes in the price or interest rate of the hedged item are recognized. Such reporting can result in deferred losses, which would be reflected as assets on the thrift's balance sheet in accordance with GAAP.

The Federal Reserve is closely reviewing hedge accounting issues with the other federal banking agencies, with the objective of encouraging the FASB to develop a comprehensive hedge accounting framework that results in consistent accounting treatment for all derivative instruments of financial and nonfinancial companies.

Excess Servicing Fees

As a general rule, the three banking agencies do not follow GAAP for excess servicing fees, but require a more conservative treatment. Excess servicing results when loans are sold with servicing retained and the stated servicing fee rate is greater than the normal servicing fee rate. With the exception of sales of pools of first lien one- to four-family residential mortgages for which the banking agencies' approach is consistent with FASB Statement No. 65, excess servicing fee income in banks must be reported as realized over the life of the transferred asset, not recognized up front as required by FASB Statement No. 65.

The OTS allows the present value of the future excess servicing fee to be treated as an adjustment to the sales price for purposes of recognizing gain or loss on the sale. This approach is consistent with FASB Statement No. 65.

In-Substance Defeasance of Debt

The banking agencies do not permit banks to report defeasance of their debt obligations in accordance with FASB Statement No. 76. Defeasance involves a debtor irrevocably placing risk-free monetary assets in a trust solely for satisfying the debt. Under FASB Statement No. 76, the assets in the trust and the defeased debt are removed from the balance sheet and a gain or loss for the current period can be recognized. However, for Call Report purposes, banks may not remove assets or defeased liabilities from their balance sheets or recognize resulting gains or losses. The banking agencies have not adopted FASB Statement No. 76 because of uncertainty regarding the irrevocable trusts established for defeasance purposes. Furthermore, defeasance would not relieve the bank of its contractual obligation to pay depositors or other creditors.

OTS practice is to follow FASB Statement No. 76.

Sales of Assets With Recourse

In accordance with FASB Statement No. 77, a transfer of receivables with recourse is recognized as a sale if: (1) The transferor surrenders control of the future economic benefits; (2) the transferor's obligation under the recourse provisions can be reasonably estimated; and (3) the transferee cannot require repurchase of the receivables except pursuant to the recourse provisions.

The practice of the three banking agencies is generally to permit commercial banks to report transfers of receivables with recourse as sales only when the transferring institution (1) retains no risk of loss from the assets transferred and (2) has no obligation for the payment of principal or interest on the assets transferred. As a result, virtually no transfers of assets with recourse can be reported as sales. However, this rule does not apply to the transfer of first lien 1- to 4-family residential or agricultural mortgage loans under certain government-sponsored programs (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation). Transfers of mortgages under these programs are generally treated as sales for Call Report purposes.

Furthermore, private transfers of first lien 1- to four-family residential mortgages are also reported as sales if the transferring institution retains only an insignificant risk of loss on the assets transferred. However, the seller's obligation under recourse provisions related to sales of mortgage loans under the government programs is viewed as an off-balance sheet exposure. Thus, for risk-based capital purposes, capital is generally expected to be held for recourse obligations associated with such transactions.

The OTS policy is to follow FASB Statement No. 77. However, in the calculation of risk-based capital under the OTS guidelines, off-balance sheet recourse obligations generally are converted at 100 percent. This effectively negates the sale treatment recognized on a GAAP basis for risk-based capital purposes, but not for leverage capital purposes. Thus, by making this adjustment in the risk-based capital calculation, the differences between the OTS and the banking agencies for capital adequacy measurement purposes are substantially reduced.

Over the past few years, the FFIEC has studied transfers of assets with recourse (often referred to as the ''recourse study''). In this respect, the staff of the Federal Reserve has reviewed the capital and regulatory reporting treatment for sales of assets with recourse and on May 25, 1994, issued, under the auspices of the FFIEC, a proposal for public comment which addresses these issues. If finalized, the proposal could reduce the differences between regulatory reporting requirements and GAAP in this area by allowing a larger portion of transfers of assets with recourse to be treated as sales. In addition, the staff of the Federal Reserve has been working with the other agencies to implement section 350 of the Riegle Community Development and Regulatory Improvement Act of 1994, which deals with the regulatory reporting and capital treatment of certain recourse transactions, as discussed in greater detail on page 28 of Section One of this report.

Push-Down Accounting

When a depository institution is acquired in a purchase transaction, but retains its separate corporate existence, the institution is required to revalue all of the assets and liabilities at fair value at the time of acquisition. When push-down accounting is applied, the same revaluation made by the parent holding company is made at the depository institution level.

The three banking agencies require push-down accounting when there is at least a 95 percent change in ownership. This approach is generally consistent with interpretations of the Securities and Exchange Commission.

The OTS requires push-down accounting when there is at least a 90 percent change in ownership.

Negative Goodwill

The three banking agencies require that negative goodwill be reported as a liability, and not be netted against goodwill assets. Such a policy ensures that all goodwill assets are deducted in regulatory capital calculations, consistent with the Basle Accord.

The OTS permits negative goodwill to offset goodwill assets reported in the financial statements.

Offsetting

The three banking agencies generally prohibit netting of assets and liabilities in the Call Report. However, FASB Interpretation No. 39 (FIN 39) netting requirements have been adopted for Call Report purposes *solely* for assets and liabilities that arise from off-balance-sheet instruments. For example, under FIN 39, the assets and liabilities arising from these contracts may be netted when there is a legally enforceable bilateral master netting agreement.

The OTS policy on netting for all assets and liabilities is consistent with GAAP, as set forth in FIN 39. FIN 39 allows institutions to offset assets and liabilities (e.g., loans and deposits) when four conditions are met. Moreover, the OTS permits netting for off-balance sheet conditional and exchange contracts to the same extent as the banking agencies.

By order of the Board of Governors of the Federal Reserve System, January 9, 1995.

William W. Wiles,

Secretary of the Board.

[FR Doc. 95–900 Filed 1–12–95; 8:45 am]

BILLING CODE 6210–10–P

National Westminster Bank PLC.; Acquisitions of Companies Engaged in Permissible Nonbanking Activities

The organizations listed in this notice have applied under § 225.23(a)(2) or (f) of the Board's Regulation Y (12 CFR 225.23(a)(2) or (f)) for the Board's approval under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 225.21(a) of Regulation Y (12 CFR 225.21(a)) to acquire or control voting securities or assets of a company engaged in a nonbanking activity that is listed in § 225.25 of Regulation Y as closely related to banking and permissible for bank holding companies. Unless otherwise noted, such activities will be conducted throughout the United States.

Each application is available for immediate inspection at the Federal Reserve Bank indicated. Once the application has been accepted for processing, it will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether consummation of the proposal can ''reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.'' Any request for a hearing on this question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated for the application or the offices of the Board of Governors not later than January 27, 1995.

A. Federal Reserve Bank of New York (William L. Rutledge, Senior Vice President) 33 Liberty Street, New York, New York 10045:

1. National Westminster Bank PLC, London, England, and NatWest Holdings, New York, New York; to acquire BRS Capital Management, Inc., Boston, Massachusetts, and thereby engage in investment advisory activities, pursuant to § 225.25(b)(4) of the Board's Regulation Y.

A. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. First National of Nebraska, Inc., Omaha, Nebraska; to acquire Platte Valley Finance Company, North Platte, Nebraska, and thereby engage in consumer finance lending, pursuant to § 225.25(b)(1) of the Board's Regulation Y, and credit insurance activities pursuant to § 225.25(25(b)(8)(i) of the Board's Regulation Y.

Board of Governors of the Federal Reserve System, January 9, 1995.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 95–901 Filed 1–12–95; 8:45 am]

BILLING CODE 6210–01–F

James A. Redding, et al.; Change in Bank Control Notices; Acquisitions of Shares of Banks or Bank Holding Companies

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. Once the notices have been accepted for processing, they will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than January 27, 1995,

A. Federal Reserve Bank of Minneapolis (James M. Lyon, Vice President) 250 Marquette Avenue, Minneapolis, Minnesota 55480:

1. James A. Redding and Mary G. Clark, both of Windom, Minnesota; each to acquire 25.51 percent of the voting shares of Windom State Investment Company, Windom, Minnesota, and thereby indirectly acquire Southwest State Bank, Windom, Minnesota.

B. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. Gary D. Grable, Kansas City, Missouri; to acquire 8.81 percent; John