

*Estimated Number of Respondents:* 4,000.  
*Estimated Burden Hours Respondent:* 2 hours.

*Frequency of Response:* On occasion.  
*Estimated Total Reporting Burden:* 8,000 hours.

*OMB Number:* 1545-1813.  
*Form Number:* IRS Form 1099-H.  
*Type of Review:* Extension.  
*Title:* Health Coverage Tax Credit (HCTC) Advance Payments.

*Description:* Form 1099-H is used to report advance payments of health insurance premiums to qualified recipients for their use in computing the allowable health insurance credit on Form 8885.

*Respondents:* Business or other for-profit.

*Estimated Number of Respondents/Recordkeepers:* 300.

*Estimated Burden Hours Respondent/Recordkeeper:* 18 minutes.

*Frequency of Response:* Annually.  
*Estimated Total Reporting Burden:* 33,000 hours.

*OMB Number:* 1545-1865.  
*Notice Number:* Notice 2003-75.  
*Type of Review:* Extension.  
*Title:* Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Funds (RRIF) Information Reporting.

*Description:* This notice announces an alternative, simplified reporting regime for the owners of certain Canadian individual retirement plans that have been subject to reporting on Forms 3520 and 3520-A, and it describes the interim reporting rules that taxpayers must follow until a new form is available.

*Respondents:* Individuals or households.

*Estimated Number of Respondents:* 750,000.

*Estimated Burden Hours Respondent:* 2 hours.

*Frequency of Response:* Annually.  
*Estimated Total Reporting Burden:* 1,500,000 hours.

*Clearance Officer:* Glenn P. Kirkland, (202) 622-3428, Internal Revenue Service, Room 6411-03, 1111 Constitution Avenue, NW, Washington, DC 20224.

*OMB Reviewer:* Joseph F. Lackey, Jr., (202) 395-7316, Office of Management and Budget, Room 10235, New Executive Office Building, Washington, DC 20503.

**Lois K. Holland,**

*Treasury PRA Clearance Officer.*

[FR Doc. 04-3950 Filed 2-23-04; 8:45 am]

BILLING CODE 4830-01-P

## DEPARTMENT OF THE TREASURY

### Office of the Comptroller of the Currency

[Docket No. 04-07]

## FEDERAL RESERVE SYSTEM

### FEDERAL DEPOSIT INSURANCE CORPORATION

## DEPARTMENT OF THE TREASURY

### Office of Thrift Supervision

[No. 2004-08]

#### Joint Report: Differences in Accounting and Capital Standards Among the Federal Banking Agencies; Report to Congressional Committees

**AGENCIES:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Report to the Committee on Financial Services of the United States House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate regarding differences in accounting and capital standards among the federal banking agencies.

**SUMMARY:** The OCC, Board, FDIC, and OTS (the Agencies) have prepared this report pursuant to section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)). Section 37(c) requires the Agencies to jointly submit an annual report to the Committee on Financial Services of the House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the Senate describing differences between the capital and accounting standards used by the Agencies. The report must be published in the **Federal Register**.

#### FOR FURTHER INFORMATION CONTACT:

*OCC:* Nancy Hunt, Risk Expert (202/874-4923), Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

*Board:* John Connolly, Supervisory Financial Analyst (202/452-3621), Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

*FDIC:* Robert F. Storch, Chief Accountant (202/898-8906), Division of Supervision and Consumer Protection, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

*OTS:* Michael D. Solomon, Senior Program Manager for Capital Policy (202/906-5654), Supervision Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**SUPPLEMENTARY INFORMATION:** The text of the report follows:

#### Report to the Committee on Financial Services of the United States House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the United States Senate Regarding Differences in Accounting and Capital Standards Among the Federal Banking Agencies

##### Introduction

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (the federal banking agencies or the agencies) must jointly submit an annual report to the Committee on Financial Services of the U.S. House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate describing differences between the accounting and capital standards used by the agencies. The report must be published in the **Federal Register**.

This report, which covers differences existing as of December 31, 2003, is the second joint annual report on differences in accounting and capital standards to be submitted pursuant to section 37(c) of the Federal Deposit Insurance Act (12 U.S.C. 1831n(c)), as amended. Prior to the agencies' first joint annual report, section 37(c) required a separate report from each agency.

Since the agencies filed their first reports on accounting and capital differences in 1990, the agencies have acted in concert to harmonize their accounting and capital standards and eliminate as many differences as possible. Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4803) also directs the agencies to work jointly to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The results of these efforts must be "consistent with the principles of safety and soundness, statutory law and policy, and the public interest." During the past decade, the agencies have revised their capital standards to address changes in credit and certain other risk exposures within the banking system and to align the amount of capital institutions are required to hold more closely with the

credit risks and certain other risks to which they are exposed. These revisions have been made in a uniform manner whenever possible and practicable to minimize interagency differences.

While the differences in capital standards have diminished over time, a few differences remain. Some of the remaining capital differences are statutorily mandated. Others were significant historically but now no longer affect in a measurable way, either individually or in the aggregate, institutions supervised by the federal banking agencies. In addition to the specific differences noted below, the agencies may have differences in how they apply certain aspects of their rules. These differences usually arise as a result of case-specific inquiries that have only been presented to one agency. Agency staffs seek to minimize these occurrences by coordinating responses to the fullest extent reasonably practicable.

The federal banking agencies have substantially similar capital adequacy standards. These standards employ a common regulatory framework that establishes minimum leverage and risk-based capital ratios for all banking organizations (banks, bank holding companies and savings associations). The agencies view the leverage and risk-based capital requirements as minimum standards and most institutions are expected to operate with capital levels well above the minimums, particularly those institutions that are expanding or experiencing unusual or high levels of risk.

The OCC, the FRB, and the FDIC, under the auspices of the Federal Financial Institutions Examination Council, have developed uniform Reports of Condition and Income (Call Reports) for all insured commercial banks and FDIC-supervised savings banks. The OTS requires each OTS-supervised savings association to file the Thrift Financial Report (TFR). The reporting standards for recognition and measurement in the Call Reports and the TFR are consistent with generally accepted accounting principles (GAAP). Thus, there are no significant differences in regulatory accounting standards for regulatory reports filed with the federal banking agencies. Only one minor difference remains between the accounting standards of the OTS and those of the other federal banking agencies, and that difference relates to push-down accounting, as more fully explained below.

### Differences in Capital Standards Among the Federal Banking Agencies

#### *Financial Subsidiaries*

The Gramm-Leach-Bliley Act (GLBA) establishes the framework for financial subsidiaries of banks.<sup>1</sup> GLBA amends the National Bank Act to permit national banks to conduct certain expanded financial activities through financial subsidiaries. Section 121(a) of the GLBA (12 U.S.C. 24a) imposes a number of conditions and requirements upon national banks that have financial subsidiaries, including specifying the treatment that applies for regulatory capital purposes. The statute requires that a national bank deduct from assets and tangible equity the aggregate amount of its equity investments in financial subsidiaries. The statute further requires that the financial subsidiary's assets and liabilities not be consolidated with those of the parent national bank for applicable capital purposes.

GLBA also amends the Federal Deposit Insurance Act to provide that an

<sup>1</sup> A national bank that has a financial subsidiary must satisfy a number of statutory requirements in addition to the capital deduction and deconsolidation requirements described in the text. The bank (and each of its depository institution affiliates) must be well capitalized and well managed. Asset size restrictions apply to the aggregate amount of assets of all of the bank's financial subsidiaries. Certain debt rating requirements apply, depending on the size of the national bank. The national bank is required to maintain policies and procedures to protect the bank from financial and operational risks presented by the financial subsidiary. It is also required to have policies and procedures to preserve the corporate separateness of the financial subsidiary and the bank's limited liability. Finally, transactions between the bank and its financial subsidiary must comply with the Federal Reserve Act's (FRA) restrictions on affiliate transactions and with the anti-tying provisions of the Bank Holding Company Act. See 12 U.S.C. 5136A.

State member banks may have financial subsidiaries if they comply with all of the same restrictions that apply to national banks. See 12 U.S.C. 335 (state member banks subject to the "same conditions and limitations" that apply to national banks that hold financial subsidiaries).

State nonmember banks may also have financial subsidiaries, but are subject only to a subset of the requirements that apply to national banks and state member banks. The applicable requirements are as follows. The bank must be well capitalized and must comply with the capital deduction and deconsolidation requirements. It must also satisfy the requirements for policies and procedures to protect the bank from financial and operational risks and to preserve corporate separateness and limited liability for the bank. Further, the bank is subject to the affiliate transactions restrictions of the FRA. See 12 U.S.C. 1831w.

Finally, national banks, state member, and state nonmember banks may not establish or acquire a financial subsidiary or commence a new activity in a financial subsidiary if the bank, or any of its insured depository institution affiliates, has received a less than satisfactory rating as of its most recent examination under the Community Reinvestment Act. See 12 U.S.C. 1841(l)(2).

insured state bank is, among other conditions and limitations, subject to the capital deduction and deconsolidation requirements that apply to a national bank if the state bank holds an interest in a subsidiary that engages as principal in activities that would only be permissible for a national bank to conduct through a financial subsidiary.

The OCC, the FDIC, and the FRB adopted final rules implementing their respective provisions of Section 121 of GLBA for national banks in March 2000, for state nonmember banks in January 2001, and for state member banks in August 2001. GLBA did not provide new authority to OTS-regulated institutions to own, hold, or operate financial subsidiaries, as defined.

#### *Subordinate Organizations Other Than Financial Subsidiaries*

Banks supervised by the OCC, the FRB, and the FDIC generally consolidate all significant majority-owned subsidiaries for regulatory capital purposes. This practice assures that capital requirements are related to the aggregate credit (and, where applicable, market) risks to which the banking organization is exposed. For subsidiaries other than financial subsidiaries that are not consolidated on a line-for-line basis for financial reporting purposes, joint ventures, and associated companies, the parent banking organization's investment in each such entity is, for risk-based capital purposes, deducted from capital or assigned to the 100 percent risk-weight category, depending upon the circumstances. The FRB's and the FDIC's rules also permit the banking organization to consolidate the investment on a pro rata basis in appropriate circumstances. These options for handling unconsolidated subsidiaries, joint ventures, and associated companies for purposes of determining the capital adequacy of the parent banking organization provide the agencies with the flexibility necessary to ensure that institutions maintain capital levels that are commensurate with the actual risks involved.

Under the OTS's capital regulations, a statutorily mandated distinction is drawn between majority-owned subsidiaries engaged in activities that are permissible for national banks and subsidiaries engaged in "impermissible" activities for national banks. Where subsidiaries engage in activities that are impermissible for national banks, the OTS requires the deduction of the parent's investment in these subsidiaries from the parent's assets and capital. If a subsidiary's activities are

permissible for a national bank, that subsidiary's assets are generally consolidated with those of the parent on a line-for-line basis. If a subordinate organization, other than a subsidiary, engages in impermissible activities, the OTS will generally deduct investments in and loans to that organization. If a subordinate organization, other than a subsidiary, engages solely in permissible activities, the OTS may, depending upon the nature and risk of the activity, either assign investments in and loans to that organization to the 100 percent risk-weight category or require full deduction of the investments and loans.

#### *Collateralized Transactions*

The FRB and the OCC assign a zero percent risk weight to claims collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government, U.S. Government agencies, or the central governments of other countries that are members of the Organization for Economic Cooperation and Development (OECD). The OCC and the FRB rules require the collateral to be marked to market daily and a positive margin of collateral protection to be maintained daily. The FRB requires qualifying claims to be fully collateralized, while the OCC rule permits partial collateralization.

The FDIC and the OTS assign a zero percent risk weight to claims on qualifying securities firms that are collateralized by cash on deposit in the institution or by securities issued or guaranteed by the U.S. Government, U.S. agencies, or other OECD central governments. The FDIC and the OTS accord a 20 percent risk weight to such claims on other parties.

#### *Noncumulative Perpetual Preferred Stock*

Under the federal banking agencies' capital standards, noncumulative perpetual preferred stock is a component of Tier 1 capital. The capital standards of the OCC, the FRB, and the FDIC require noncumulative perpetual preferred stock to give the issuer the option to waive the payment of dividends and to provide that waived dividends neither accumulate to future periods nor represent a contingent claim on the issuer.

The practical effect of these requirements is that if a bank supervised by the OCC, the FRB, or the FDIC issues perpetual preferred stock and is required to pay dividends in a form other than cash, e.g., stock, when cash dividends are not or cannot be paid, the bank does not have the option to waive

or eliminate dividends, and the stock would not qualify as noncumulative. If an OTS-supervised savings association issues perpetual preferred stock that requires the payment of dividends in the form of stock when cash dividends are not paid, the stock may, subject to supervisory approval, qualify as noncumulative.

#### *Equity Securities of Government-Sponsored Enterprises*

The FRB, the FDIC, and the OTS apply a 100 percent risk weight to equity securities of government-sponsored enterprises (GSEs), other than the 20 percent risk weighting of Federal Home Loan Bank stock held by banking organizations as a condition of membership. The OCC applies a 20 percent risk weight to all GSE equity securities.

#### *Limitation on Subordinated Debt and Limited-Life Preferred Stock*

The OCC, the FRB, and the FDIC limit the amount of subordinated debt and intermediate-term preferred stock that may be treated as part of Tier 2 capital to 50 percent of Tier 1 capital. The OTS does not prescribe such a restriction. The OTS does, however, limit the amount of Tier 2 capital to 100 percent of Tier 1 capital, as do the other agencies.

In addition, for banking organizations supervised by the OCC, the FRB, and the FDIC, these maturing instruments must be discounted by 20 percent of the original amount (less redemptions) in each of the last five years before maturity. The OTS provides thrifts the option of using either the discounting approach used by the other federal banking agencies, or an approach which, during the last seven years of the instrument's life, allows for the full inclusion of all such instruments, provided that the aggregate amount of such instruments maturing in any one year does not exceed 20 percent of the thrift's total capital.

#### *Pledged Deposits, Nonwithdrawable Accounts, and Certain Certificates*

The OTS capital regulations permit mutual savings associations to include in Tier 1 capital pledged deposits and nonwithdrawable accounts to the extent that such accounts or deposits have no fixed maturity date, cannot be withdrawn at the option of the accountholder, and do not earn interest that carries over to subsequent periods. The OTS also permits the inclusion of net worth certificates, mutual capital certificates, and income capital certificates complying with applicable OTS regulations in savings associations'

Tier 2 capital. In the aggregate, however, these deposits, accounts, and certificates are only a negligible amount of the Tier 1 capital of institutions supervised by the OTS. The OCC, the FRB, and the FDIC do not expressly address these instruments in their regulatory capital standards, and they generally are not recognized as Tier 1 or Tier 2 capital components.

#### *Core Deposit Intangibles*

The OCC, the FRB, and the FDIC require institutions to deduct core deposit intangibles from regulatory capital. Although the OTS's capital rules generally require the same treatment for core deposit intangibles, they contain one difference that, with the passage of time, continues to decrease in significance. Under its rules, the OTS has grandfathered, i.e., does not deduct from regulatory capital, core deposit intangibles acquired before February 1994 up to 25 percent of Tier 1 capital. These grandfathered assets, however, are only a negligible amount of the assets of institutions supervised by OTS.

#### *Covered Assets*

The OCC, the FRB, and the FDIC generally place assets subject to guarantee arrangements by the FDIC or the former Federal Savings and Loan Insurance Corporation in the 20 percent risk-weight category. The OTS places these "covered assets" in the zero percent risk-weight category.

#### *Tangible Capital Requirement*

Savings associations supervised by the OTS, by statute, must satisfy a 1.5 percent minimum tangible capital requirement. Other subsequent statutory and regulatory changes, however, imposed higher capital standards rendering it unlikely, if not impossible, for the 1.5 percent tangible capital requirement to function as a meaningful regulatory trigger. This statutory tangible capital requirement does not apply to institutions supervised by the OCC, the FRB, or the FDIC.

#### **Differences in Accounting Standards Among the Federal Banking Agencies**

##### *Push-Down Accounting*

Push-down accounting is the establishment of a new accounting basis for a depository institution in its separate financial statements as a result of a substantive change in control. Under push-down accounting, when a depository institution is acquired in a purchase, yet retains its separate corporate existence, the assets and liabilities of the acquired institution are restated to their fair values as of the

acquisition date. These values, including any goodwill, are reflected in the separate financial statements of the acquired institution, as well as in any consolidated financial statements of the institution's parent.

The OCC, the FRB, and the FDIC require the use of push-down accounting for regulatory reporting purposes when there is at least a 95 percent change in ownership. This approach is generally consistent with accounting interpretations issued by the staff of the Securities and Exchange Commission. The OTS requires the use of push-down accounting when there is at least a 90 percent change in ownership.

Dated: February 18, 2004.

**John D. Hawke, Jr.,**

*Comptroller of the Currency.*

Dated: February 9, 2004.

By order of the Board of Governors of the Federal Reserve System.

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC this 10th day of February, 2004.

Federal Deposit Insurance Corporation.

**Robert E. Feldman,**

*Executive Secretary.*

Dated: February 17, 2004.

By the Office of Thrift Supervision.

**James Gilleran,**

*Director.*

[FR Doc. 04-3959 Filed 2-23-04; 8:45 am]

**BILLING CODE 4810-33-P, 6720-01-P, 6210-01-P, 6714-01-P**

## DEPARTMENT OF THE TREASURY

### Fiscal Service

#### **Financial Management Service; Proposed Collection of Information: Annual Financial Statement of Surety Companies—Schedule F**

**AGENCY:** Financial Management Service, Fiscal Service, Treasury.

**ACTION:** Notice and request for comments.

**SUMMARY:** The Financial Management Service, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on a continuing information collection. By this notice, the Financial Management Service solicits comments concerning the "Annual Financial Statement of Surety Companies—Schedule F."

**DATES:** Written comments should be received on or before April 26, 2004.

**ADDRESSES:** Direct all written comments to Financial Management Service, 3700 East-West Highway, Records and Information Management Program Staff, Room 135, Hyattsville, Maryland 20782.

#### **FOR FURTHER INFORMATION CONTACT:**

Requests for additional information should be directed to Robert Cline, Surety Bond Branch, 3700 East West Highway, Hyattsville, Maryland 20782, (202) 874-6850.

**SUPPLEMENTARY INFORMATION:** Pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3506(c)(2)(A)), the financial Management Service solicits comments on the collection of information described below:

*Title:* Annual Financial Statement of Surety Companies—Schedule F.

*OMB Number:* 1510-0012.

*Form Number:* FMS 6314.

*Abstract:* This form provides information that is used to determine the amount of unauthorized reinsurance of a Treasury Certified Company, and to compute its underwriting limitations. This computation is necessary to ensure the solvency of companies certified by Treasury, and their ability to carry out contractual surety requirements.

*Current Actions:* Extension of currently approved collection.

*Type of Review:* Regular.

*Affected Public:* Business or other for-profit.

*Estimated Number of Respondents:* 368.

*Estimated Time Per Respondent:* Varies from 8 hours to 80 hours.

*Estimated Total Annual Burden Hours:* 15,635.

*Comments:* Comments submitted in response to this notice will be summarized and/or included in the request for Office of Management and Budget approval. All comments will become a matter of public record. Comments are invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and cost of operation, maintenance

and purchase of services to provide information.

**Wanda Rogers,**

*Assistant Commissioner, Financial Operations.*

[FR Doc. 04-3874 Filed 2-23-04; 8:45 am]

**BILLING CODE 4810-35-M**

## DEPARTMENT OF THE TREASURY

### Fiscal Service

#### **Surety Companies Acceptable on Federal Bonds: Termination— Cumberland Casualty and Surety Company**

**AGENCY:** Financial Management Service, Fiscal Service, Department of the Treasury.

**ACTION:** Notice.

**SUMMARY:** This is Supplement No. 8 to the Treasury Department Circular 570; 2003 Revision, published July 1, 2003 at 68 FR 39186.

**FOR FURTHER INFORMATION CONTACT:** Surety Bond Branch at (202) 874-6850.

**SUPPLEMENTARY INFORMATION:** Notice is hereby given that the Certificate of Authority issued by the Treasury to the above named Company, under the United States Code, title 31, sections 9304-9308, to qualify as an acceptable surety on Federal bonds is terminated effective today.

The Company was last listed as an acceptable surety on Federal bonds at 68 FR 39196, July 1, 2003.

With respect to any bonds, including continuous bonds, currently in force with above listed Company, bond-approving officers should secure new bonds with acceptable sureties in those instances where a significant amount of liability remains outstanding. In addition, in no event, should bonds that are continuous in nature be renewed.

The Circular may be viewed and downloaded through the Internet at <http://www.fms.treas.gov/c570>. A hard copy may be purchased from the Government Printing Office (GPO), Subscription Service, Washington, DC, telephone (202) 512-1800. When ordering the Circular from GPO, use the following stock number: 769-004-04643-2.

Questions concerning this notice may be directed to the U.S. Department of the Treasury, Financial Management Service, Financial Accounting and Services Division, Surety Bond Branch, 3700 East-West Highway, Room 6F07, Hyattsville, MD 20782.