

Memo 1994-3 FASB 115 and LLL Calculations

TO: All Field Examiners
FROM: Judi Stork, Deputy Commissioner
RE: FASB 115 - Lending Limit Calculations
DATE: February 14, 1994

For purposes of determining a bank's compliance under K.S.A. 9-1104, the appreciation or depreciation of bonds placed in the Available For Sale category **cannot be included in the bank's capital accounts when calculating the legal lending limit.**

Additionally, such appreciation or depreciation **cannot** be utilized for determining capital adequacy. As you may be aware, the FDIC now has out for comment a proposal to allow banks to include such appreciation and depreciation in their capital adequacy calculations. If the position of this department changes, you will be notified.

For report purposes, any securities in the available for sale category will be shown on the balance sheet at market value. This value will only change on a quarterly basis. (Some banks may do so more often, but they are only required to change quarterly.) Each quarter this balance will be adjusted upward or downward depending on the appreciation or depreciation in each security that is held for sale. The corresponding balance sheet entry will be to the Other Equity Capital account on the two page. This amount will not transfer to the three page so it will not affect the Tier I capital calculations. You should note in the report what is in the Other Equity Capital account so it is clear to the reader.

On the securities page, and throughout the report where securities information is found, the bonds that are available for sale will be listed at their market value (as of the last quarterly evaluation). The securities page should balance to the two page.

All information we have received on this topic has been supplied to you. If additional information arrives, we will forward the same to you.