



## Alerts

### AOCI Opt-Out Election Must be Made on Call Report or FR Y-9C (if applicable) for the Quarter Ending March 31, 2015

January 20, 2015

*Hinshaw Alert*

All banks, other than advanced approaches banks, have a one-time irrevocable option to opt-out of the requirement to include all components of Accumulated Other Comprehensive Income (other than accumulated net gains and losses on cash flow hedges related to items that are not fair valued on the balance sheet) when calculating common equity tier 1 capital under the Basel III rules (the opt-out election). This will allow banks to continue to treat certain AOCI components as permitted under the prior risk-based capital rules.

Banks should review the AOCI opt-out election with their accountants.

**The opt-out election must be made on the Call Report or FR Y-9C (if applicable) for the quarter ending March 31, 2015.**

A bank that makes the opt-out election must adjust common equity tier 1 capital as follows:

- Subtract any net unrealized gains and add any net unrealized losses on available-for-sale securities;
- Subtract any net unrealized losses on available-for-sale preferred stock classified as an equity security under GAAP and available-for-sale equity exposures;
- Subtract any accumulated net gains and add any accumulated net losses on cash flow hedges;
- Subtract any amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans (excluding, at the bank's option, the portion relating to pension assets deducted under paragraph 324.22(a)(5) of the FDIC's regulations); and
- Subtract any net unrealized gains and add any net unrealized losses on held-to-maturity securities that are included in AOCI.

For further information on this issue, please contact [Tim Sullivan](#), [Michael D. Morehead](#) or your regular [Hinshaw attorney](#).

#### Attorneys

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