



Alerts

Accumulated Other Comprehensive Income (AOCI) Opt-Out Election

March 25, 2015

Corporate / Financial Institutions Alert

All financial institutions, other than advanced approaches financial institutions, **may make a one-time permanent election** to opt out of the requirement to include most components of Accumulated Other Comprehensive Income (AOCI) when calculating common equity tier 1 capital under the Basel III rules. This will allow financial institutions to continue to treat certain AOCI components as permitted under the prior risk-based capital rules.

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

A financial institution making 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.

The AOCI opt-out election must be made on Schedule RC-R of the financial institution's Call Report or on FR Y-9 for the March 31, 2015 report date.

A financial institution that is not an advanced approaches institution, but is a subsidiary of a banking organization subject to the regulatory capital requirements issued by the Fed, the OCC, or the FDIC, must make the same opt-out election as the banking organization of which it is a subsidiary.

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