
Joint Release

**Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency**

FOR IMMEDIATE RELEASE

January

18, 2001

AGENCIES RELEASE REVISED CAPITAL PROPOSAL
FOR NONFINANCIAL EQUITY INVESTMENTS

The Federal Reserve Board and the Office of the Comptroller of the Currency today announced proposed new rules governing the regulatory capital treatment for equity investments in nonfinancial companies held by banks, bank holding companies and financial holding companies.

The new proposed capital treatment, revised in response to public comment and in consultation with the Treasury Department and other federal banking agencies, represents a significant modification of a proposal made by the Federal Reserve Board in March 2000. The Federal Deposit Insurance Corporation has announced it will consider the new proposal Friday.

The new proposal would apply symmetrically to banks and their holding companies and would apply to equity investments made under the new merchant banking authority granted by the Gramm-Leach-Bliley Act and to equity investments in nonfinancial companies made under other specifically identified legal authorities.

The new proposal generally would impose a capital charge that would increase in steps as the banking organization's level of concentration in equity investments increased. An 8 percent Tier 1 capital deduction would apply on covered investments that in the aggregate represent up to 15 percent of an organization's Tier 1 capital. A top marginal charge of 25 percent would be set for covered investments that aggregate more than 25 percent of the organization's Tier 1 capital.

Equity investments through small business investment companies would be exempt from these new capital deduction requirements and would continue to be subject to the same capital requirements that presently apply, unless the value of those investments exceeds 15 percent of the bank's Tier 1 capital. Grandfathered investments under section 24(f) of the Federal Deposit Insurance Act also would be exempt under the new proposal.

(more)

Under the new [proposal](#), the agencies also would heighten their monitoring of banking organizations as the level of concentration in equity investment increases.

The agencies intend to request public comment within 60 days after publication in the Federal Register. A [description of the proposal](#) is attached.

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Attachment

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