DEPARTMENT OF THE TREASURY

President's Commission on the United States Postal Service

AGENCY: Department of the Treasury, Departmental Offices.

ACTION: Notice of meeting.

SUMMARY: Notice is given of a meeting of the President's Commission on the United States Postal Service.

DATES: The meeting will be held on Thursday, February 20, 2003 from 8:30 a.m. to approximately 4 p.m.

ADDRESSES: The meeting will be held at The Hotel Washington, 15th Street and Pennsylvania Avenue, NW., Washington, DC 20004.

FOR FURTHER INFORMATION CONTACT: Roger Kodat, Designated Federal Official, (202) 622–7073.

SUPPLEMENTARY INFORMATION: At the public meeting, the Commission will examine some of the issues that help define the United States Postal Service's business model. These issues include the Postal Service's universal service obligation, the price-regulation system, and the Postal Service's corporate governance structure. Witnesses will testify at the invitation of the Commission. Seating is limited to a maximum of 300 on a first-come, first-served basis.

Dated: January 31, 2003.

Roger Kodat,

Designated Federal Official.

[FR Doc. 03–2708 Filed 2–4–03; 8:45 am]

BILLING CODE 4811–16–P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

[Docket No. 03–03]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

[No. 2003–03]

Joint Report: Differences in Accounting Standards Among the Federal Banking and Thrift 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 capital and accounting standards among the federal banking and thrift 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 accounting and capital 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, Accounting and Securities Disclosure Section (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 and among the agencies. The report must be published in the **Federal Register**. This report covers differences existing as of December 31, 2002.

This is the first 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 this report, each agency reported separately.

Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4803) in part 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.''

Since the agencies filed their first reports under this reporting requirement in 1991, the agencies have acted in concert on numerous occasions to modify their accounting and capital standards and to harmonize the four sets of standards so as to eliminate as many differences as possible. In particular, the agencies have revised their capital standards to address changes in credit and certain other risk exposures within the banking system, thereby rendering the amount of capital institutions are required to hold generally more commensurate with the credit risk and certain other risks to which they are exposed. Some of the few remaining capital differences are statutorily mandated. Some 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.

As a result, the Federal banking agencies now have substantially similar leverage and risk-based capital standards. These standards employ a common regulatory framework that establishes minimum capital adequacy ratios for all banking organizations (banks, bank holding companies and savings associations). In 1989, all four agencies adopted risk-based capital frameworks that were based upon the international capital accord (the Basel Accord) developed by the Basel Committee on Banking Regulations and Supervisory Practices (Basel

Supervisors' Committee) and endorsed by the central bank governors of the G–10 countries. The agencies view the risk-based capital and leverage 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 (FFIEC), 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 Report 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

Subordinate Organizations Other Than Financial Subsidiaries

Banks supervised by the OCC, the FRB, and the FDIC generally consolidate all significant majority-owned subsidiaries, including banking and finance subsidiaries, of the parent banking organization for regulatory capital purposes. This practice assures that capital requirements are related to the risks to which the banking organization is exposed. When banking and finance subsidiaries are not consolidated for financial reporting purposes under GAAP, the aggregate amount of investments in such subsidiaries is deducted from a bank's total capital.

For other 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 may be treated in any of three ways for risk-based capital purposes, depending upon the circumstances: the entity's balance sheet may be consolidated on a *pro-rata* basis, the banking organization's investment in the entity may be deducted entirely from capital, or the banking organization's investment in the entity may be assigned to the 100 percent risk-weight category. 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' capital regulations, a statutorily mandated distinction is drawn between subsidiaries (majority-owned) 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 such 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 such organizations to the 100 percent risk-weight category or require full deduction of the investments and loans.

Financial Subsidiaries

The Gramm-Leach-Bliley Act (GLBA) amends the National Banking 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 insured State bank is, among other 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. Under section 121(d) of GLBA (12 U.S.C. 1831w), a State bank that holds an interest in any financial subsidiary—whether conducting activities as a principal or agent—must comply with all of the same conditions that apply to a national bank, including the capital deduction and deconsolidation requirement. 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.

Nonfinancial Equity Investments

Under final rules jointly published by the OCC, the FRB, and the FDIC, on January 25, 2002 (67 FR 3783), subject to certain exceptions, covered equity investments in nonfinancial companies are subject to a Tier 1 capital charge (for both risk-based and leverage capital purposes) that increases in steps as the banking organization's level of concentration in equity investments increases. The GLBA authorizes financial holding companies, which are bank holding companies granted expanded investment and activity authority by the GLBA, to acquire or control shares, assets, or ownership interests of any nonfinancial company as part of a bona fide underwriting, or merchant or investment banking activity. Banks and bank holding companies supervised by the OCC, the FDIC, or the FRB also have authority, which predated GLBA, to make limited equity investments in nonfinancial companies under various other legal authorities.

OTS-regulated holding companies grandfathered by GLBA have no statutory limits on their investments. Nongrandfathered holding companies may make equity investments in nonfinancial companies of the type authorized for financial holding companies (*e.g., bona fide* underwriting or merchant or investment banking activity). The OTS does not prescribe specific capital regulations for OTS-regulated holding companies.

Collateralized Transactions

The FRB and the OCC assign a zero percent risk weight to certain 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 of Economic Cooperation and Development (OECD). To qualify for the zero percent risk weight, 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 20 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 other OECD central governments.

In a final interagency rule assigning a 20 percent risk weight to certain claims on qualifying securities firms, which was published in the **Federal Register** on April 9, 2002, (67 FR 16971), the FDIC and the OTS conformed their rules to assign a zero percent risk weight to certain collateralized claims on qualifying securities firms that are marked to market daily and have a positive margin of collateral. The rule became effective July 1, 2002. The actions taken by the FDIC and the OTS in adopting the April 9, 2002, rule for claims on qualifying securities firms eliminates a portion of the capital difference regarding collateralized transactions between these agencies and the OCC and the FRB.

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. This difference arises because the OCC's risk-based capital standards specify that "securities" of GSEs, which includes both debt and equity securities, qualify for the 20 percent risk weight. In contrast, the risk-based capital standards of the FRB, the FDIC, and the OTS apply a 20 percent risk weight only to debt claims on these companies.

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 limit. In addition, for banking organizations supervised by the OCC, the FRB, and the FDIC, these maturing instruments must be discounted by 20 percent 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 maturing instrument's life, allows for the full inclusion of all such instruments, provided that the amount 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. 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.

Servicing Assets and Intangible Assets

The Federal banking agencies' capital rules permit servicing assets and purchased credit card relationships to be included in assets (*i.e.*, not be deducted), subject to certain limits. The aggregate regulatory capital limit on these two categories of assets is 100 percent of Tier 1 capital. However, within this overall limit, nonmortgage servicing assets are combined with purchased credit card relationships and this combined amount is limited to no more than 25 percent of an institution's Tier 1 capital. Before applying these Tier 1 capital limits, mortgage servicing assets, nonmortgage servicing assets, and purchased credit card relationships are each valued at the lesser of 90 percent of their fair value or 100 percent of their book value (net of any valuation allowances).

A recent statutory change permits the agencies to eliminate this 10 percent fair value discount from their capital standards if the agencies determine that such assets can be valued at 100 percent of their book value consistent with safety and soundness. The agencies are considering how best to make such a determination. Any servicing assets and purchased credit card relationships that exceed the relevant limits, as well as all other intangible assets such as goodwill and core deposit intangibles, are deducted from capital and assets in calculating an institution's Tier 1 capital.

Although the Federal banking agencies' regulatory capital treatment of servicing assets and intangible assets is fundamentally the same, the OTS' capital rules contain one difference that, with the passage of time, continues to lose 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.

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. However, subsequent statutory and regulatory changes have imposed higher capital standards on savings associations, 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.

Interest Rate Risk

The OCC, the FRB, and the FDIC specifically include in their evaluation of capital adequacy an assessment of a banking organization's interest rate risk, as measured by its exposure to declines in the economic value of its capital due to changes in interest rates. In addition, these three agencies have provided guidance on sound practices for managing interest rate risk and on the standards that they use to evaluate the adequacy and effectiveness of a banking organization's interest rate risk management.

Historically, the OTS employed an explicit interest rate risk component in its capital rule, as distinct from the other banking agencies. In 2002 the OTS eliminated this explicit requirement from its standards in light of other supervisory tools that are currently available to measure and control interest rate risk. The OTS, like the other banking agencies, has provided written guidance on sound practices for managing interest rate risk, and directs examiners to take into account interest rate risk when assessing capital adequacy. The OTS' final rule brought its regulatory capital treatment of interest rate risk into line with the approach followed by the other Federal banking agencies, thereby formally eliminating a capital difference between the OTS and the other agencies.

Differences in Accounting Standards Among the Federal Banking and Thrift 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 purchased by another organization 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 a 95 percent or greater 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 a 90 percent or greater change in ownership.

Dated: January 29, 2003.

John D. Hawke, Jr.,

Comptroller of the Currency.

Dated: January 28, 2003.

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

Jennifer J. Johnson,

Secretary of the Board.

Dated in Washington, DC this 29th day of January, 2003.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

Dated: January 24, 2003.

By the Office of Thrift Supervision.

James E. Gilleran,

Director.

[FR Doc. 03–2780 Filed 2–4–03; 8:45 am]

BILLING CODE 4810–33, 6210–01, 6714–01 and 6720–01–P

DEPARTMENT OF VETERANS AFFAIRS

Research and Development Office; Government Owned Invention Available for Licensing

AGENCY: Research and Development Office, VA.

ACTION: Notice of government owned invention available for licensing.

SUMMARY: The invention listed below is owned by the U.S. Government as represented by the Department of Veterans Affairs, and is available for licensing in accordance with 35 U.S.C. 207 and 37 CFR part 404 to achieve expeditious commercialization of results of federally funded research and development. Foreign patents are filed on selected inventions to extend market coverage for U.S. companies and may also be available for licensing.

FOR FURTHER INFORMATION CONTACT: Technical and licensing information on the invention may be obtained by writing to: Mindy Aisen, MD, Department of Veterans Affairs, Director Technology Transfer Program, Research and Development Office, 810 Vermont Avenue NW., Washington, DC 20420; fax: 202–275–7228; e-mail at *mindy.aisen@mail.va.gov.* Any request for information should include the Number and Title for the relevant invention as indicated below. Issued patents may be obtained from the Commissioner of Patents, U.S. Patent and Trademark Office, Washington, DC 20231.

SUPPLEMENTARY INFORMATION: The invention available for licensing is: PCT/US02/11088 ''Methods for Modeling Infectious Disease and Chemosensitivity in Cultured Cells and Tissues''

Dated: January 28, 2003.

Anthony J. Principi,

Secretary, Department of Veterans Affairs.

[FR Doc. 03–2664 Filed 2–4–03; 8:45 am]

BILLING CODE 8320–01–P

DEPARTMENT OF VETERANS AFFAIRS

Capital Asset Realignment for Enhanced Services (CARES) Commission Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92–463 (Federal Advisory Committee Act) that the Capital Asset Realignment for Enhanced Services (CARES) Commission will meet on Wednesday, February 19, 2003, from 8:30 a.m. to 5 p.m. and Thursday, February 20, 2003, from 8:30 a.m. to 5 p.m. The meeting will be held at the Jefferson Hotel in the Monticello Room, 1200 16th Street, NW., Washington, DC. The meeting is open to the public.

The purpose of the Commission is to conduct an external assessment of VA's capital asset needs and to assure that stakeholder and beneficiary concerns are fully addressed. The Commission will consider recommendations prepared by VA's Under Secretary for Health, veterans service organizations, individual veterans, Congress, medical school affiliates, VA employees, local government entities, community groups and others. Following its assessment, the Commission will make specific recommendations to the Secretary of Veterans Affairs regarding the realignment and allocation of capital assets necessary to meet the demands