



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 10-12

June 7, 2010

TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE BANK

SUBJECT: Interagency Supervisory Guidance on Bargain Purchases and FDIC- and NCUA-Assisted Acquisitions

The Board of Governors of the Federal Reserve System, together with the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, has issued the attached guidance addressing supervisory considerations related to bargain purchase gains and the impact such gains have on the application (licensing) approval process. Recent market conditions have contributed to an increase in bargain purchases, which has necessitated the issuance of this guidance. The attached guidance also highlights the accounting and reporting requirements unique to business combinations resulting in bargain purchase gains and FDIC- and NCUA-assisted acquisitions of failed institutions.

Although this guidance principally focuses on bargain purchase gains, it is also relevant to business combinations in general. However, the guidance does not provide a comprehensive discussion of all aspects of accounting for business combinations. The guidance does not add to or modify existing regulatory reporting requirements issued by the agencies or current accounting requirements under generally accepted accounting principles (GAAP). The principal sources of guidance on business combinations and related measurements under GAAP are found under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, and ASC Topic 820, *Fair Value Measurements and Disclosures*.

Reserve Banks are asked to distribute this letter to financial institutions supervised by the Federal Reserve in their districts, as well as to their own application, supervisory, and

examination staff. Questions on the attached guidance should be addressed to Laurie Priest, Manager, Accounting Policy and Disclosure, at (202) 452-2750; or Matthew Kincaid, Supervisory Financial Analyst, Accounting Policy and Disclosure, at (202) 452-2028.

Patrick M. Parkinson
Director

Attachment:

- *Interagency Supervisory Guidance on Bargain Purchases and FDIC- and NCUA-Assisted Acquisitions*