INTERAGENCY SUPERVISORY GUIDANCE ON BARGAIN PURCHASES AND FDIC- AND NCUA-ASSISTED ACQUISITIONS

Attention: Chief Executive Officer of Each Tenth District State Member Bank and Bank Holding Company

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

In Brief: On June 7, 2010, 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, issued guidance addressing supervisory considerations related to bargain purchase gains and the impact such gains have on the application (licensing) approval process.

Highlights: Recent market conditions have contributed to an increase in bargain purchases, which has necessitated the issuance of this guidance. The 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.

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