SUMMARY OF OCC ACCOUNTING GUIDANCE

Qualified Intangible Assets For Inclusion in Capital

Intangible assets (other than qualified purchased mortgage servicing rights (PMSR) already included in primary capital) are qualified under a transition rule in 12 CFR ¤ 3.3 for inclusion in capital and surplus provided they were purchased prior to April 15, 1985 and are accounted for in accordance with instructions of the OCC. The maximum inclusion of qualified intangibles is equal to 25% of those items listed in 12 CFR ¤ 3.100(a) and (c)(1) [line 10 on Appendix A of this Handbook section.] This inclusion is done after Primary and Secondary Capital have been calculated per instructions from the OCC's Bank Accounting Unit.

OCC accounting instructions for intangibles require that purchased intangibles must be recorded according to GAAP and amortized over their useful life, not to exceed 15 years.

An accelerated method should be used when the asset's value is based upon declining earning amounts, such as for core deposit intangibles and PMSR.

Core deposit intangibles and organizational costs cannot be amortized over periods exceeding 10 years and five years, respectively.

Organizational costs should be amortized using the straight-line method. Straight-line amortization should be used for all other intangibles and may be used when it does not differ materially from a GAAP-required accelerated method.

Cumulative amortization should never be less than that determined by using a straight-line method.

Source: *Comptroller's Handbook for National Bank Examiners*, pages 220.1 and 220.2, March 1990.