

## Treasury Department's Capital Purchase Program

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008 (<http://www.treas.gov/press/releases/hp1207.htm>). The CPP is designed to encourage U.S. financial institutions to build capital to buttress the financial strength of the banking system, increase the flow of financing to U.S. businesses and consumers and support the U.S. economy. Under this program, the Treasury will purchase up to \$250 billion of securities issued by qualifying financial institutions.

### **Subchapter C Companies**

For bank holding companies (other than those that are Subchapter S) that are approved for participation in the CPP, the Treasury Department will purchase senior perpetual preferred stock and warrants to purchase common stock or senior perpetual preferred stock, depending on whether the bank holding company's common stock is "publicly traded." For such bank holding companies that are not publicly traded, the Treasury Department intends to immediately exercise the warrants for senior perpetual preferred stock ("warrant preferred stock").

#### **Perpetual Preferred Stock**

The senior perpetual preferred stock issued to the Treasury Department, including warrant preferred stock, should be reported in:

##### **FR Y-9C**

Schedule HI-A, item 5.a, "Sale of perpetual preferred stock, gross." (Proceeds from a bank holding company's issuance to the Treasury Department of noncumulative perpetual preferred stock during the calendar year-to-date reporting period.)

Schedule HC, item 23, "Perpetual preferred stock and related surplus" and

Schedule HC-M, item 24.a, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Senior perpetual preferred stock or similar items"

Schedule HC-R, item 1 "Total bank holding company equity capital (from Schedule HC, item 27.a)"

Schedule HC-R, memo item 3.a, "Noncumulative perpetual preferred stock."

##### **FR Y-9LP**

Schedule PI-A, part III, item 9, "Proceeds from issuance of preferred stock"

Schedule PC, item 20.a, "Perpetual preferred stock (including related surplus)"

##### **FR Y-9SP**

Schedule SC, item 16.a, "Perpetual preferred stock (including related surplus)"

Schedule SC-M, item 23.a, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Senior perpetual preferred stock or similar items"

Senior perpetual preferred stock issued by bank holding companies to the Treasury Department is cumulative but for regulatory capital purposes is treated and reported the same as noncumulative perpetual preferred stock as an unrestricted core capital element included in Tier 1 capital.

## **Warrants**

Warrants issued by a publicly traded bank holding company should be included in equity capital on the balance sheet provided the bank holding company has sufficient authorized but unissued shares of the common stock to allow exercise of the warrants and any other necessary shareholder approvals have been obtained. If the bank holding company does not have required shareholder approval, including shareholder approval for sufficient authorized but unissued shares of the common stock subject to the warrants that may be required for settlement, the warrants may be included in equity capital on the balance sheet provided that the bank holding company takes the necessary action to secure sufficient approvals prior to the end of the fiscal quarter in which the warrants are issued.

The amount assigned to warrants classified as equity capital should be reported in:

### **FR Y-9C**

Schedule HI-A, item 6.a, "Sale of common stock, gross." (Proceeds from warrants eligible to be classified as equity capital during the calendar year-to-date reporting period.)

Schedule HC, item 25, "Surplus"

Schedule HC-M, item 24.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items"

### **FR Y-9LP**

Schedule PI-A, part III, item 7, "Proceeds from issuance of common stock" (Proceeds from warrants eligible to be classified as equity capital during the calendar year-to-date reporting period.)

Schedule PC, item 20.c, "Surplus"

### **FR Y-9SP**

Schedule SC, item 16.b, "Common stock (including related surplus)"

Schedule SC-M, item 23.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items"

Warrants that are **not** eligible to be classified as equity capital should be reported in:

### **FR Y-9C**

Schedule HC, item 20, "Other liabilities"

Schedule HC-M, item 24.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items,"

### **FR Y-9LP**

Schedule PI-A, part III, item 5, "Proceeds from issuance of long-term debt" (Proceeds from warrants not eligible to be classified as equity capital during the calendar year-to-date reporting period.)

Schedule PC, item 17, "Other liabilities"

### **FR Y-9SP**

Schedule SC, item 13, "Other liabilities"

Schedule SC-M, item 23.b, "Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items"

## **Subchapter S Companies**

For bank holding companies that have elected to be taxed under Subchapter S or are organized in mutual form, the full amount of all subordinated debt securities issued to the Treasury Department under the CPP should be reported in:

### **FR Y-9C**

Schedule HC, item 19.a, “Subordinated notes and debentures.”

Schedule HC-R, item 6.b, “Qualifying restricted core capital elements (other than cumulative perpetual preferred stock),” the portion of such subordinated debt securities that qualify for inclusion in Tier 1 capital based on the risk-based capital guidelines.

### **FR Y-9LP**

Schedule PI-A, part III, item 5, “Proceeds from issuance of long-term debt” (Proceeds from warrants eligible to be classified as equity capital during the calendar year-to-date reporting period.)

Schedule PC, item 16, “Subordinated notes and debentures”

### **FR Y-9SP**

Schedule SC, item 13, “Other liabilities”

Schedule SC-M, item 23.b, “Issuances associated with the U.S. Department of Treasury Capital Purchase Program: Warrants to purchase common stock or similar items”

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