# REGULATORY CAPITAL

*New Regulatory Capital Measures* (available beginning in 1990)
From 1990 until 1994 Ken Kuttner proposes the following approximation:

**Regulatory Capital Variables** (beginning in 1990)

Ken Kuttner produced the following approximations which one might consider using to get risk weighted assets -- prior to 1994

```
IF RCON9804 = 51
   THEN RFSECS = RCFD0400 + RCFD3762 + RCON3766 +
           0.8*(RCFD3760 + RCFD0604 - RCON3766) ;
   ELSE RFSECS = RCON0400 + RCON3762 + RCON3766 +
           0.8*(RCON3760 + RCON3764 + RCON3765) ;
```

All the variables used to derive RFSECS are available only from 03/31/90 to   12/31/93

```
IF RCON9804 = 51 OR RCON9804 = 52
   THEN OBSI = RCFD3814 + RCFD3815 + RCFD3816 + RCFD6550 +
           RCFD3817 + RCFD3818 + RCFD3819 + RCFD3821 +
           RCFD3411 + RCFD3429 + RCFD3433 + RCFD3650 +
           RCFD3652 + RCFD3654 + RCFD3434 + RCFD3435 +
           RCFD3450 + RCFD3823 + RCFD3825 + RCFD3826 +
           RCFD3415 + RCFD3828 + RCFD3830 + RCFD3832 +
           RCFD3430 -
           RCFD3820 - RCFD3822 ;
   ELSE OBSI = RCFD3814 + RCFD3815 + RCFD3816 + RCFD6550 +
           RCFD3817 + RCFD3818 + RCFD3819 + RCFD3821 +
           RCFD3411 + RCFD3429 + RCFD3433 + RCFD3650 +
           RCFD3652 + RCFD3654 + RCFD3434 + RCFD3435 +
           RCFD3450 + RCFD3823 + RCFD3825 + RCFD3826 +
           RCFD3415 + RCFD3828 + RCON3835 + RCFD3430 -
           RCFD3820 - RCFD3822 ;

   ATA = RCFD2170 + RCFD3123 + OBSI - RCON0080 - RFSECS ;

IF RCON9804 = 51
   THEN TIER1CAP = RCFD3230 + RCFD3839 + RCFD3632 + RCFD3284 +
           RCFD3000 + RCFD3778 + RCFD0297 - RCFD3163 ;
   ELSE TIER1CAP = RCFD3230 + RCFD3839 + RCFD3632 +
           RCFD3000 + RCFD3778 + RCFD0297 - RCFD3163 ;

   WSD = 0.2*(RCFD3781 + RCFD3787) + 0.4*(RCFD3782 + RCFD3788) +
           0.6*(RCFD3783 + RCFD3789) + 0.8*(RCFD3784 + RCFD3790) +
           1.0*(RCFD3785 + RCFD3791) ;

   TIER2CAP = MIN(WSD,0.5*TIER1CAP) + MIN(RCFD3123,0.0125*ATA) +
           RCFD3838 + RCFD3295 - RCFD3778 ;

   PRIMCAPX = RCFD3230 + RCFD3838 + RCFD3839 + RCFD3632 +
           RCFD3123 + RCFD3000 ;
```

OKMCDEBT = MIN( RCFD3295, (0.1667/(1-0.1667))*PRIMCAPX ) ;

XSMCDEBT = MIN( 0 , (RCFD3295-OKMCDEBT) ) ;

PRIMCAP  = PRIMCAPX + OKMCDEBT ;

SECCAP   = RCFD3282 + RCFD3200 + XSMCDEBT ;

RWA      = (RCFD3798+RCFD3799+RCFD3800+RCFD3801)*0.2 +
           (RCFD3802+RCFD3803)*0.5 + (RCFD3804+RCFD3805)*1.0 ;


Tier 1 Capital  TIER1CAP
Tier 2 Capital  TIER2CAP
Total Qualifying Capital        RCFD3792
        Weighted Subordinated Debt  WSD
Adjusted Total Assets           ATA
        Off-Balance Sheet Items        OBSI
        Risk-Free Securities    RFSECS
Risk-Weighted Assets            RWA

Primary Capital         PRIMCAP
Secondary Capital       SECCAP


After March 1994 the information is directly available on the call reports as follows:

Total capital>=8% of adjusted total assets     RCFD6056
Tier 1 Capital  RCFD8274
Tier 2 Capital  RCFD8275
Excess Allowance for loan and lease losses   RCFDA222
Net risk-weighted assets        RCFDA223
Average Total Assets            RCFDA224
Asset and credit equivalent amounts of off-balance sheet
assigned to the zero percent risk category:
        Asset recorded on the balance sheet   RCFD5163
                Securities issued by, other claims on, and claims unconditionally
                guaranteed by, the U.S. Government and its agencies and other
                OECD central governments   RCFD3794
                All other       RCFD3795
        Credit equivalent amount of off-balance sheet items  RCFD3796
Asset and credit equivalent amounts of off-balance sheet
assigned to the 20 percent risk category:
        Asset recorded on the balance sheet   RCFD5165
                Claims conditionally guaranteed by, the U.S. Government
                and other OECD central governments        RCFD3798
                Claims collateralized by securities issued by the U.S.
                Government and its agencies and other OECD central

government; by securities issued by US Government-
sponsored agencies; and by cash on deposit   RCFD3799
All other        RCFD3800
Credit equivalent amount of off-balance sheet items  RCFD3801
Asset and credit equivalent amounts of off-balance sheet
assigned to the 50 percent risk category:
Asset recorded on the balance sheet   RCFD3802
Credit equivalent amount of off-balance sheet items  RCFD3803
Asset and credit equivalent amounts of off-balance sheet
assigned to the 100 percent risk category:
Asset recorded on the balance sheet   RCFD3804
Credit equivalent amount of off-balance sheet items  RCFD3805
On-balance sheet asset values excluded from the deducted
in the calculation of the risk-based capital ratio        RCFD3806
Total assets recorded on the balance sheet     RCFD3807