

Press Releases

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OTS 99-03 - OTS Rule Cuts Red Tape for Capital Distributions

Office of Thrift Supervision

News Release

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OTS Rule Cuts Red Tape For Capital Distributions

WASHINGTON, D.C., Jan. 19, 1999 -- Well run, healthy thrift institutions that satisfy certain criteria will no longer have to notify their federal regulator before paying cash dividends, under a final rule issued today by the Office of Thrift Supervision (OTS).

Previously, all thrifts had to give OTS notice or apply to the agency to make a distribution. Today's action updates and streamlines OTS' capital distribution rule and makes it more consistent with those of other federal banking regulators, the agency said. The agency's action reflects the solid capital built up by the thrift industry since the previous capital distribution regulation was adopted in 1990. Equity capital reached a record high of 8.58 percent in the third quarter of 1998, and 98 percent of OTS-regulated institutions met or exceeded the highest capital category of well capitalized.

Institutions that are not subsidiaries of a savings and loan holding company can qualify for a capital distribution without a notice or application to OTS, if they meet certain conditions, including retaining their well capitalized designation following the distribution and having CAMELS and compliance ratings of 1 or 2. Other institutions either have to notify OTS or obtain the agency's approval, depending on the condition of the institution and the amount and nature of the capital distribution, but they may now file a schedule of proposed capital distributions for a year at a time, rather than filing separate notices.

The final rule clarifies that distributions by a thrift subsidiary that are charged against the capital account of the parent association are outside the requirements as long as the parent thrift remains well capitalized following the distribution. A thrift also may combine its capital distribution filing with any other OTS-required notice or application, and the agency may approve all or part of the proposed transaction. The final rule is substantially similar to the proposed rule published Jan. 7, 1998.

Loans to affiliates to finance redemptions of stock or debt are considered capital distributions, as are direct or indirect payments of cash or other property to owners or affiliates made in connection with a corporate restructuring.

The final rule was published in today's edition of the Federal Register, and is effective April 1, 1999.

[Capital Distributions: Final Rule](#)

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at <http://www.ots.treas.gov>.