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OCC BULLETIN

Comptroller of the Currency
Administrator of National Banks

Subject: Deferred Compensation
Agreement Accounting

Description: Interagency Advisory on Accounting for
Deferred Compensation Agreements
and Bank-Owned Life Insurance

TO: Chief Executive Officers of All National Banks, Department and Division Heads, and All Examining Personnel

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision are jointly issuing the attached “Interagency Advisory on Accounting for Deferred Compensation Agreements and Bank-Owned Life Insurance” on February 11, 2004. The purpose of the advisory is to provide guidance on the appropriate accounting treatment for deferred compensation agreements that banks enter into with employees.

Many banks have incorrectly accounted for their obligations under a type of deferred compensation agreement commonly referred to as a revenue neutral plan or an indexed retirement plan, the typical characteristics of which are described in the advisory. The benefits payable under these agreements are often based on the performance of bank-owned life insurance policies.

Banks should review their accounting for deferred compensation agreements to ensure that obligations under the agreements have been properly measured and reported. Any necessary changes in a bank’s accounting for these agreements should be reflected in its March 31, 2004, call report. Corrections of material errors involving deferred compensation agreements should be reported as prior period adjustments in the call report as described in the advisory. If the effect of correcting an error in its accounting is material, a bank should also consult with its OCC supervisory office to determine whether any of its prior call reports should be amended.

For further information, please contact your OCC district accountant or the OCC’s Chief Accountant’s office at (202) 874-5180.

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Attachment: [Interagency Advisory](http://www.occ.treas.gov/ftp/bulletin/2004-10a.pdf)
[<http://www.occ.treas.gov/ftp/bulletin/2004-10a.pdf>]