



**FDIC Overview of
Temporary Unlimited Insurance
Coverage Rules under
Section 343 of the Dodd-Frank
Wall Street Reform and
Consumer Protection Act**

December 2010

Summary of Rule Change

- On November 9, 2010, the FDIC Board of Directors issued a final rule to implement §343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Provision”) providing temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions (“IDIs”)
- The separate coverage for noninterest-bearing transaction accounts becomes effective on December 31, 2010, and terminates on December 31, 2012

Section 343 Highlights

- Amends the Federal Deposit Insurance Act to make noninterest-bearing transaction accounts a temporary category of deposit insurance coverage
- All funds held in noninterest-bearing transaction accounts will be insured in full, without limit, from December 31, 2010, through December 31, 2012
- The temporary unlimited coverage is separate from, and in addition to, coverage provided for other accounts a depositor has at an IDI
- Defines noninterest-bearing transaction accounts as only traditional noninterest-bearing transaction accounts
- Does not include low-interest Negotiable Order of Withdrawal (NOW) accounts and Interest on Lawyer Trust Accounts (IOLTAs) in definition of noninterest-bearing transaction accounts

Section 343 Highlights – Cont'd

- Establishes notice and disclosure requirements that IDIs must implement by December 31, 2010
- No “opting out” – temporary coverage applies to all IDIs
- Coverage is automatic for all IDIs
- All qualifying noninterest-bearing deposits are covered
- FDIC will not charge a separate assessment for the temporary unlimited coverage
- FDIC will take into account the cost for this additional insurance coverage when determining the amount of the deposit insurance assessment the FDIC charges IDIs under its risk-based assessment system

Notice and Disclosure Requirements

Notice and disclosure requirements ensure that depositors are aware of, and understand, which deposit accounts will receive temporary unlimited deposit insurance coverage

Each IDI must:

1. Post a prescribed notice in its main office, each branch office and, if applicable, on its Website
2. If currently participating in the Transaction Account Guarantee Program (“TAGP”), notify affected NOW account depositors and IOLTA depositors that, beginning January 1, 2011, those accounts no longer will be eligible for unlimited protection
3. Notify customers individually of any action the IDI takes to affect the deposit insurance coverage of funds held in noninterest-bearing transaction accounts

Actions Required by All IDIs

Posted Notice: Each IDI is required to post, prominently, a copy of the following notice in the lobby of its main office, in each domestic branch and, if it offers Internet deposit services, on its Website:

NOTICE OF CHANGES IN TEMPORARY FDIC INSURANCE COVERAGE FOR TRANSACTION ACCOUNTS

All funds in a "noninterest-bearing transaction account" are insured in full by the Federal Deposit Insurance Corporation from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules. The term "noninterest-bearing transaction account" includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest. It does not include other accounts, such as traditional checking or demand deposit accounts that may earn interest, NOW accounts, money-market deposit accounts, and Interest on Lawyers Trust Accounts ("IOLTAs").

For more information about temporary FDIC insurance coverage of transaction accounts, visit www.fdic.gov.

Actions Required by IDIs Participating in TAGP

Notice to Depositors With NOW Accounts and IOLTAs:

- Starting January 1, 2011, all NOW accounts and IOLTAs will be insured under the general deposit insurance rules and will no longer be eligible for unlimited coverage.
- The final rule requires IDIs participating in the TAGP to provide individual notices to depositors with affected NOW accounts and IOLTAs advising that those accounts will not be insured under the temporary insurance category for noninterest-bearing transaction accounts.
- The disclosure may be in the form of a copy of the notice required to be posted in the IDIs main office, branch offices and Websites.
- IDIs are required to provide such notice to affected depositors by mail no later than December 31, 2010. To comply with this requirement, IDIs may use electronic mail for depositors who ordinarily receive account information in this manner.

Actions Required by IDIs – Sweep Disclosures

- The final rule contains a requirement mandating that IDIs notify customers of any action that affects the deposit insurance coverage of their funds held in noninterest-bearing transaction accounts.
- This notice requirement will apply whenever an IDIs begins paying interest on demand deposit accounts, as will be permitted beginning July 21, 2011, under §627 of the Dodd-Frank Act.
- Under the final rule's notice requirements, if an IDI modifies the terms of its demand deposit account agreement so the account may pay interest, the IDI must notify affected customers that the account no longer will be eligible for full deposit insurance coverage as a noninterest-bearing transaction account.
- Though such notifications are mandatory, the final rule does not impose specific requirements regarding the form of the notice. The FDIC expects IDIs to act in a commercially reasonable manner and to comply with applicable state and federal laws and regulations in informing depositors of changes to their account agreements.

FDIC Resources

- **Final Rule: Temporary Unlimited Coverage for Noninterest-Bearing Transaction Accounts (FIL-76-2010)**
 - www.fdic.gov/news/news/financial/2010/fil10076.html
- **Final Rule**
 - www.fdic.gov/news/board/Nov9no4.pdf
- **Notice Requirements**
 - www.fdic.gov/deposit/deposits/changes2.html

**Thank You
for Participating**