FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-58-2016
August 30, 2016

CHANGES TO DEPOSIT INSURANCE ASSESSMENTS

Summary: On June 30, 2016, the Deposit Insurance Fund Reserve Ratio rose to 1.17 percent from 1.13 percent on March 31. FDIC regulations provide for three major changes to deposit insurance assessments the quarter after the reserve ratio first reaches or surpasses 1.15 percent, i.e., the third quarter of 2016, which will be reflected in banks' December 2016 assessment invoices: (1) the range of initial assessment rates for all institutions decline based on final rules approved by the FDIC Board of Directors (Board) on February 7, 2011, and April 26, 2016; (2) surcharges on insured depository institutions with total consolidated assets of $10 billion or more (large banks) begin pursuant to a final rule approved by the Board on March 15, 2016; and (3) a revised method to calculate risk-based assessment rates for established small banks applies pursuant to the final rule approved by the Board on April 26, 2016.

Statement of Applicability to Institutions under $1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-insured institutions, although parts apply only to institutions with $10 billion or more in total assets.

Distribution:
All FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
President
Chief Financial Officer

Related Topics:
FDIC Regulations Governing the Assessment Process, 12 CFR Part 327

Attachments:
Final Rule on Assessments

Final Rule on Assessments (surcharges)

Final Rule on Assessments (small bank pricing)

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Highlights

Reduction in Initial Assessment Rates

- The range of initial assessment rates will decline for all banks (from 5-35 basis points to 3-30 basis points)

Large Bank Surcharges

- Large banks will pay a quarterly surcharge, in addition to regular assessments, equal to an annual rate of 4.5 basis points.
- The assessment base for the surcharge will be a large bank's regular assessment base reduced by $10 billion (and subject to adjustment for affiliated banks).
- If the reserve ratio does not reach 1.35 percent by December 31, 2018, the FDIC will impose a shortfall assessment on large banks in the first quarter of 2019, and collect it on June 30, 2019.
- Small banks will receive assessment credits (applied when the reserve ratio is at or above 1.38 percent) for the portion of their assessments that contribute to the increase in the reserve ratio from 1.15 percent to 1.35 percent.

Revised Small Bank Pricing Method

- Assessment rates for all established small banks will be determined using financial measures and supervisory ratings derived from a statistical model estimating the probability of failure over three years.
- The new pricing system eliminates risk categories, but establishes minimum and maximum assessment rates for established small banks based on a bank's CAMELS composite ratings.
- The final rule is revenue neutral; that is, it leaves aggregate assessment revenue collected from small banks approximately the same as it would have been absent the final rule.
- Banks will not be required to report any additional data.