



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

Financial Institution Letter
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DEPOSIT INSURANCE ASSESSMENTS

Assessment Rate Adjustment Guidelines for Large Institutions and Insured Foreign Branches in Risk Category I

Summary: On May 8, 2007, the FDIC Board of Directors approved guidelines for determining how adjustments of up to 0.50 basis points (never to exceed the maximum rate or fall below the minimum rate) will be made to the quarterly assessment rates of insured institutions defined as large (generally, over \$10 billion in assets) Risk Category I institutions (generally, well-capitalized institutions with CAMELS composite ratings of 1 or 2), and insured foreign branches in Risk Category I, according to the recently adopted Assessments Regulation (12 C.F.R. § 327.9). These guidelines provide further clarification to the analytical processes, and the controls that will be applied to these processes, in making assessment rate adjustment determinations.

Distribution:
All FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
President
Chief Financial Officer

Related Topics:
FDIC Assessments Regulations
12 C.F.R. Part 327

Attachment:
Final Guidelines

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Note:
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Highlights:

Overview of the Assessment Rate Adjustment Process: The FDIC will apply a set of ten guidelines in making assessment rate adjustment determinations.

- *Analytical Process:* The first six guidelines govern the analytical process and describe the types of risk information considered in FDIC adjustment decisions. The analytical process involves comparisons of risk rankings suggested by an institution's initial assessment rate with risk rankings suggested by other broad-based and focused risk measures. The purpose of these comparisons is to identify inconsistencies in rank orderings between the initial assessment rate and other risk indicators.
- *Qualitative Considerations:* Some risk information, such as qualitative loss severity measures and the results of internal capital adequacy assessments and internal stress tests, will be useful in informing judgments pertaining to the relative importance of other quantitative risk measures. The FDIC will not use results of internal capital adequacy assessments and internal stress tests to support upward adjustments.
- *Magnitude of Adjustments:* When material inconsistencies between initial assessment rates and other risk indicators are present, the FDIC will determine the magnitude of adjustment, subject to the 0.50 basis point limitation and the assessment rate range for Risk Category I institutions, necessary to better align the assessment rate with that of other institutions with similar risk profiles.
- *Controls Over the Analytical Process:* The last four guidelines ensure that assessment rate adjustments are well supported and based on all available information. As examples, the FDIC will consult with an institution's primary federal regulator and state banking supervisor in advance of making an adjustment, and will notify institutions in advance of implementing any upward adjustment.

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Assessment Rate Adjustment Guidelines for Large Institutions and Insured Foreign Branches in Risk Category I

The FDIC Board of Directors has approved a set of guidelines that will be used for determining how adjustments of up to 0.50 basis points would be made to the quarterly assessment rates of insured institutions defined as large Risk Category I institutions, and insured foreign branches in Risk Category I, according to the recently adopted Assessments Regulation (12 C.F.R. § 327.9). Large Risk Category I institutions are well-capitalized institutions with CAMELS composite ratings of 1 or 2 and at least \$10 billion in assets. Risk Category I institutions with at least \$5 billion in assets may seek FDIC approval to be treated as large banks for assessment purposes. In no event may an institution's assessment rate be adjusted above the maximum rate or below the minimum rate for Risk Category I. The intent of these guidelines is to make the FDIC's assessment rate adjustment decisions as transparent as possible by providing further clarification about the analytical processes and the types of risk information that will be used in making these determinations as well as the controls that will be applied to the analytical process.

Objective of Assessment Rate Adjustments

Per the recently adopted Assessments Regulation, the initial assessment rates of large institutions in Risk Category I will be determined by a combination of supervisory ratings, long-term debt issuer ratings, and financial ratios for institutions that have no long-term debt issuer ratings. This regulation also indicates that FDIC may determine, in consultation with the primary federal regulator, whether limited adjustments to these initial assessment rates are warranted based upon consideration of additional risk information. Although the FDIC expects that such adjustments will be made relatively infrequently and for a limited number of institutions, adjustments may on occasion be necessary to preserve consistency in the orderings of risk indicated by these assessment rates, to ensure fairness among all large institutions, and to ensure that assessment rates take into account all available information that is relevant to the FDIC's risk-based assessment determination.

Purpose of the Assessment Rate Adjustment Guidelines

The final Assessment Rate Adjustment Guidelines further clarify the FDIC's analytical processes for determining when assessment rate adjustments are warranted and provide transparency to the FDIC's adjustment determinations. The guidelines include a number of controls over the assessment rate adjustment process, a detailed listing of the types of risk measures that will be considered in the analytical process, and a discussion about how certain qualitative information pertaining to loss severity indicators and the ability of institutions to withstand financial stress will be incorporated into assessment rate adjustment determinations.

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