



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

Financial Institution Letter
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DEPOSIT INSURANCE ASSESSMENTS

Final Rule on Assessments; Amended FDIC Restoration Plan; Interim Rule on Emergency Special Assessment

Summary: On February 27, 2009, the FDIC: (1) adopted a final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2009, at 12 to 45 basis points; (2) due to extraordinary circumstances, extended the period of the Restoration Plan to seven years; and (3) adopted an interim rule with request for comments imposing an emergency 20 basis point special assessment on June 30, 2009, which will be collected on September 30, 2009, and allowing the Board to impose possible additional special assessments of up to 10 basis points thereafter to maintain public confidence in the Deposit Insurance Fund.

Distribution:

All FDIC-Insured Institutions

Suggested Routing:

Chief Executive Officer
President
Chief Financial Officer

Related Topics:

FDIC Operational Regulations Governing the Assessment Process, 12 CFR 327.1 to 327.15

Attachments:

Final Rule; Interim Rule

Contacts:

Munsell W. St. Clair, Chief, Banking and Regulatory Policy Section, Division of Insurance and Research, (202) 898-8967; or Christopher Bellotto, Counsel, Legal Division, (202) 898-3801

assessments@fdic.gov

Note:

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Highlights:

- *Risk-Based Assessments for Risk Category I:* The final rule: (1) introduces a new financial ratio into the financial ratios method applicable to most Risk Category I institutions that includes certain brokered deposits above a threshold that are used to fund rapid asset growth; (2) revises a large bank method for a large Risk Category I institution with long-term debt issuer ratings; and (3) broadens the spread between minimum and maximum initial base assessment rates for Risk Category I institutions.
- *Adjustments to Assessment Rates:* The final rule provides for the following adjustments to an institution's assessment rate: (1) a decrease for long-term unsecured debt, including most senior and subordinated debt and, for small institutions, a portion of Tier 1 capital; (2) an increase for secured liabilities above a threshold amount; and (3) for non-Risk Category I institutions, an increase for brokered deposits above a threshold amount.
- *Amended Restoration Plan:* Due to extraordinary circumstances, the FDIC extended the time within which the reserve ratio must be restored to 1.15 from five to seven years.
- *Emergency Special Assessment:* The interim rule imposes a special assessment equal to 20 basis points of an institution's assessment base on June 30, 2009, and provides for possible additional special assessments of up to 10 basis points to maintain public confidence in the fund.

DEPOSIT INSURANCE ASSESSMENTS

Final Rule on Risk-Based Assessments; Amended FDIC Restoration Plan; Interim Rule on Emergency Special Assessment

On February 27, 2009, the FDIC Board of Directors: (1) adopted the attached final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2009; (2) due to extraordinary circumstances, amended the Restoration Plan established October 7, 2008, extending to seven years the time within which the reserve ratio must be returned to 1.15 percent; and (3) adopted an interim rule with request for comments imposing an emergency 20 basis point special assessment on June 30, 2009, which will be collected on September 30, 2009, and possible additional special assessments of up to 10 basis points thereafter to prevent the reserve ratio from falling to a level that would adversely affect public confidence or to a level close to zero or negative. Comments must be received on or before 30 days from date of publication in the *Federal Register*.

Small Risk Category I Institutions and Large Risk Category I Institutions with No Long-Term Debt Issuer Rating: The FDIC introduced a new financial ratio into the financial ratios method (the adjusted brokered deposit ratio). The adjusted brokered deposit ratio affects institutions whose brokered deposits are more than 10 percent of domestic deposits and whose total assets are more than 40 percent greater than they were four years previously. The adjusted brokered deposit ratio excludes certain reciprocal deposits for institutions in Risk Category I. Brokered deposits that consist of balances swept into an insured institution are included in the adjusted brokered deposit ratio for all institutions.

Large Risk Category I Institutions with Long-Term Debt Issuer Ratings: The FDIC revised the method for calculating the assessment rate for a large Risk Category I institution with a long-term debt issuer rating so that it equally weights the institution's weighted average CAMELS component ratings, its long-term debt issuer ratings and the financial ratios method assessment rate. The final rule updates the uniform amount and the pricing multipliers for the weighted average CAMELS component ratings and financial ratios method. It also increases the maximum possible large bank adjustment from 0.5 basis point to 1.0 basis point.

Adjustments to Assessment Rates: The FDIC introduced three possible adjustments to an institution's initial base assessment rate: (1) a decrease of up to five basis points for long-term unsecured debt, including senior unsecured debt (other than debt guaranteed under the Temporary Liquidity Guarantee Program) and subordinated debt and, for small institutions, a portion of Tier 1 capital; (2) an increase not to exceed 50 percent of an institution's assessment rate before the increase for secured liabilities in excess of 25 percent of domestic deposits; and (3) for non-Risk Category I institutions, an increase not to exceed 10 basis points for brokered deposits in excess of 10 percent of domestic deposits.

Assessment Rates: The FDIC adopted new initial base assessment rates as of April 1, 2009, as follows:

Initial Base Assessment Rates

Annual Rates (in basis points)	Risk Category				
	I *		II	III	IV
	Minimum	Maximum			
	12	16	22	32	45

*Initial base rates that were not the minimum or maximum rate will vary between these rates.

After applying all possible adjustments, minimum and maximum total base assessment rates for each risk category are as follows:

Total Base Assessment Rates

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV
Initial base assessment rate	12 – 16	22	32	45
Unsecured debt adjustment	-5 – 0	-5 – 0	-5 – 0	-5 – 0
Secured liability adjustment	0 – 8	0 – 11	0 – 16	0 – 22.5
Brokered deposit adjustment		0 – 10	0 – 10	0 – 10
Total base assessment rate	7 – 24.0	17 – 43.0	27 – 58.0	40 – 77.5

* All amounts for all risk categories are in basis points annually. Total base rates that are not the minimum or maximum rate will vary between these rates.

FDIC Restoration Plan: The FDIC amended the Restoration Plan established October 7, 2008, and extended the time within which the reserve ratio must be returned to 1.15 percent from five to seven years.

Interim Rule: The FDIC adopted an interim rule that imposes a 20 basis point emergency special assessment on all insured depository institutions on June 30, 2009. The special assessment will be collected September 30, 2009, at the same time that the risk-based assessments for the second quarter of 2009 are collected. The interim rule also permits the Board to impose an emergency special assessment of up to 10 basis points on all insured depository institutions whenever, after June 30, 2009, the FDIC estimates that the fund reserve ratio will fall to a level that the Board believes would adversely affect public confidence or to a level close to zero or negative at the end of a calendar quarter. Comments on the interim rule are due 30 days from publication in the *Federal Register*.

Arthur J. Murton
 Director
 Division of Insurance and Research