



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

Financial Institution Letter
FIL-29-2010
June 7, 2010

GUIDANCE ON DEPOSIT PLACEMENT AND COLLECTION ACTIVITIES

Summary: The FDIC is issuing the attached guidance on deposit placement and collection activities at FDIC-insured institutions and their affiliates. The guidance outlines steps depository institutions should take to avoid customer misunderstanding about deposit insurance coverage when the institutions enter into third-party arrangements to collect and place deposits. Failure to properly administer deposit collection practices in a manner that prevents customer confusion and complies with deposit insurance rules will be factored into the supervisory assessment of the institution and may result in enforcement actions and penalties pursuant to 12 U.S.C. 1828(a)(4).

Distribution:

FDIC-Insured Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Compliance Officer
Branch Manager

Related Topics:

Deposit Insurance Rules
Consumer Laws
Third-Party Risk: Guidance for Managing Third-Party Risk (FIL-44-2008)
Third-Party Referrals Promising Above-Market Rates on Certificates of Deposits (FIL-32-2009)
Consumer Alert: FDIC suggests steps for consumers when placing deposits at FDIC-insured banks through an agent, April 7, 2010

Attachment:

Guidance on Deposit Placement and Collection Activities at FDIC-insured institutions and their Affiliates

Contacts:

Karen Jones Currie, Senior Examination Specialist, at KCurrie@fdic.gov or (202) 898-3981; Joe DiNuzzo, Supervisory Counsel, at JDiNuzzo@fdic.gov, or (202) 898-7349

Deposit Insurance Coverage: FDIC Call Center (toll-free) at 877-ASKFDIC (877-275-3342); TDD: 800-925-4618

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2010/index.html. To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- Institutions that accept deposits with the intent of placing a portion of some or all of these deposits must establish governing controls over this activity to prevent customer confusion and ensure that all activities comply with deposit insurance regulations.
- Some FDIC-insured depository institutions/affiliates have entered into agreements with third-party affinity groups or trade associations (groups) to collect and place customer deposits at FDIC-insured institutions and/or their affiliates.
- Once collected, if an institution/ affiliate subsequently places these deposits at other institutions/affiliates, the institution needs to adhere closely to the FDIC rules governing the eligibility of these accounts for "pass-through" deposit insurance coverage.
- Institutions should ensure that marketing materials, customer statements and disclosures given to customers are accurate with respect to deposit insurance coverage and reflect the terms and conditions of the arrangement between the customer and the bank, as well as with the banks that receive customer funds.
- Institutions acting as agents in deposit collection and placement arrangements should ensure customers are provided the deposit amount and the name of the insured depository institution at which their deposits are ultimately placed.
- Because insurance coverage is available only if the interest rate and the maturity date offered to the customer match the interest rate and maturity date for funds placed with another bank, any differences in terms must be disclosed to the customer at the inception of the arrangement, and in monthly statements, and the customer must be informed that these changes may impact the deposit insurance coverage of the account.
- All relevant personnel involved in collecting and placing deposits from any third party should be trained on deposit insurance coverage requirements, including requirements for pass-through insurance coverage.