



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

Financial Institution Letter
FIL-40-2013
September 19, 2013

Notice of Final Rule: Definition of Insured Deposit

Summary: On September 12, 2013, the FDIC Board of Directors adopted the attached Final Rule to clarify that deposits in foreign branches of U.S. banks are not eligible for deposit insurance, although they may qualify as deposits for the purpose of national depositor preference. The Final Rule will be effective October 15, 2013.

Statement of Applicability to Institutions Under \$1 Billion in Total Assets: This Financial Institution Letter would affect all insured depository institutions with foreign branches, including those with less than \$1 billion in assets.

Distribution:

FDIC-Insured Institutions

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Head of Deposit and Branch Operations
Chief Compliance Officer
Training Officer

Related Topics:

Deposit Insurance Regulations
12 CFR Part 330

Attachment:

[Final Rule](#)

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Note:

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Highlights:

- Under the Federal Deposit Insurance Act, deposits carried on the books and records of foreign branches of U.S. banks are not considered deposits, unless the funds are payable both in the foreign branch and at an office of the bank in the United States (that is, they are dually payable).
- A recent Consultation Paper by the U.K.'s Prudential Regulation Authority (PRA, formerly the Financial Services Authority) proposes that banks from non-European Economic Area countries that have depositor preference laws be prohibited from accepting deposits at their U.K. branches, unless the banks take steps to ensure that U.K. depositors are no worse off under depositor preference laws than the depositors in the home country if the bank fails. The PRA paper states that such efforts could include changing deposit account agreements to make U.K. branch deposits dually payable in the United States. As a result, some U.S. banks may change their deposit agreements to make their U.K. branch deposits payable in both the United Kingdom and the United States to provide depositor preference to U.K. branch deposits.
- The Final Rule amends the deposit insurance regulations, 12 CFR Part 330, to clarify that deposits carried on the books and records of a foreign branch of a U.S. bank are not insured deposits even if they are made payable both at that branch and at an office of the bank in any state of the United States. In addition, the Final Rule provides an exception for Overseas Military Banking facilities operated under Department of Defense regulations, or similar facilities authorized under federal statute.