



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

Financial Institution Letter
FIL-59-2010
September 27, 2010

NOTICE OF PROPOSED RULE: TEMPORARY UNLIMITED COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS

Summary: The FDIC Board of Directors (Board) has issued a proposed rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that provides temporary unlimited coverage for noninterest-bearing transaction accounts. The separate coverage for noninterest-bearing transaction accounts becomes effective on December 31, 2010, and terminates on December 31, 2012. The proposed rule is also a vehicle to announce that the FDIC will not be extending its Transaction Account Guarantee Program (TAGP) beyond its scheduled expiration date of December 31, 2010. Comments are due on the proposed rule by October 15, 2010.

Distribution:

FDIC-Insured Institutions

Suggested Routing:

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

Related Topics:

Deposit Insurance Regulations (12 C.F.R 330)

Attachment:

[Proposed Rule](#)

Contacts:

Joe DiNuzzo, Supervisory Counsel, at JDNuzzo@fdic.gov; or
Martin Becker, Senior Consumer Affairs Specialist, at MBecker@fdic.gov

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:

- Section 343 of the Dodd-Frank Act amends the Federal Deposit Insurance Act to include noninterest-bearing transaction accounts as a new temporary deposit insurance account category. All funds held in noninterest-bearing transaction accounts will be fully insured, without limit, from December 31, 2010, through December 31, 2012.
- This unlimited coverage is separate from, and in addition to, the coverage provided to depositors with other accounts held at an insured depository institution (IDI).
- The Dodd-Frank provision is similar to the TAGP, but defines noninterest-bearing transaction accounts as only traditional noninterest-bearing transaction accounts. Unlike the TAGP, the Dodd-Frank definition of noninterest-bearing transaction accounts does not include either low-interest NOW accounts or Interest on Lawyer Trust Accounts (IOLTAs).
- The proposed rule includes notice and disclosure requirements that IDIs must implement by December 31, 2010.
- Comments on the proposed rule are due by October 15, 2010.

PROPOSED RULE: TEMPORARY UNLIMITED COVERAGE FOR NONINTEREST- BEARING TRANSACTION ACCOUNTS

Background

On September 27, 2010, the FDIC's Board of Directors issued a proposed rule to implement section 343 of the Dodd-Frank Act. This separate coverage for noninterest-bearing transaction accounts becomes effective on December 31, 2010, and terminates on December 31, 2012. Beginning January 1, 2013, such accounts will be insured under the FDIC's general deposit insurance coverage rules.

The new Dodd-Frank provision is similar to the FDIC's TAGP, which expires on December 31, 2010. But, as emphasized in the proposed rule, it differs significantly from the TAGP in defining a "noninterest-bearing transaction account." Dodd-Frank provides unlimited insurance coverage only for traditional noninterest-bearing transaction accounts. Thus, unlike the TAGP, the Dodd-Frank provision does not include within the definition of a noninterest-bearing transaction account either low-interest NOW accounts or IOLTAs. It is very important that bank personnel and depositors understand this difference.

The Proposed Rule

The proposed rule would revise the Corporation's deposit insurance regulations to include noninterest-bearing transaction accounts as a new temporary deposit insurance account category. The proposed rule explains that all funds held in noninterest-bearing transaction accounts would be fully insured, without limit, and that this unlimited coverage would be separate from, and in addition to, the coverage provided to depositors with respect to other accounts held at an IDI.

The proposed rule follows the definition of a noninterest-bearing transaction account in the Dodd-Frank Act, which does not include any interest-bearing accounts. The Dodd-Frank definition of noninterest-bearing transaction accounts encompasses only traditional, noninterest-bearing demand deposit (or checking) accounts that allow for an unlimited number of deposits and withdrawals at any time, whether held by a business, an individual or other type of depositor. The proposed rule expressly states that low-interest NOW accounts and IOLTAs, which are covered under the TAGP, are not covered under the Dodd-Frank definition of noninterest-bearing transaction accounts and, thus, do not qualify for temporary unlimited coverage under this proposed rule.

The proposed rule would impose three notice and disclosure requirements to ensure that IDIs and depositors are aware of and understand what types of accounts will be covered by this temporary deposit insurance coverage for noninterest-bearing transaction accounts. As explained in detail in the attached *Federal Register* notice: (1) IDIs must post a prescribed notice in their main

office, each branch and, if applicable, on their Website; (2) IDIs currently participating in the TAGP must notify NOW account depositors and IOLTA depositors (currently protected under the TAGP) that, beginning January 1, 2011, those accounts no longer will be eligible for unlimited protection; and (3) IDIs must notify customers of any action they take to affect the deposit insurance coverage of funds held in noninterest-bearing transaction accounts.

Comment Period

Comments are due on the proposed rule no later than October 15, 2010. This limited time is necessary because the Dodd-Frank provision becomes effective December 31, 2010, and insured depository institutions need adequate time to comply with the notice and disclosure requirements by that date.