



October 15, 2010

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Email: Comments@FDIC.gov

Re: Notice of Proposed Rulemaking (RIN 3064-AD37) concerning Unlimited Coverage for Noninterest-bearing Transaction Accounts

Dear Secretary Feldman:

The Financial Services Roundtable (“Roundtable¹”) submits this letter in response to the Federal Deposit Insurance Corporation’s (“FDIC”) proposed rulemaking concerning unlimited FDIC deposit insurance coverage for noninterest-bearing transaction accounts. Under the proposal, the FDIC would create a new, temporary deposit insurance category for noninterest-bearing transaction accounts -- primarily checking accounts used by businesses for payrolls, accounts payable and other purposes. Unlike the voluntary Transaction Account Guarantee Program (“TAGP”), which will expire at the end of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) provisions will apply at all FDIC-insured institutions and will cover only traditional checking accounts that do not pay interest. The Roundtable recognizes the FDIC’s diligence and we support the spirit of the regulations, but, we are concerned with the unintentional consequences created by the proposed rule.

General Comments:

The proposed rule fails to separately assess noninterest bearing transaction accounts, and as consequence, will disproportionately increase the cost of deposit insurance for all insured depository institutions, including those for whom such deposits are a relatively small percentage of their overall assessment base.

At the start of the TAGP component of the FDIC’s Temporary Liquidity Guarantee Program (“TLGP”), many financial institutions initially participated. However, by the second extension of TAGP, many banks opted out of the program. In July 2010 the Act was signed into law by President Obama. Section 343 of the Act amends the Federal Deposit Insurance Act to extend

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$74.7 trillion in managed assets, \$1.1 trillion in revenue, and 2.3 million jobs.

the full deposit insurance coverage beyond the standard \$250,000 amount to the total amount held in noninterest-bearing transaction accounts by any depositor at an insured depository institution through December 31, 2012.²

As noted in the proposed rule, Section 343 of the Act is similar to the TAGP but differs in that it applies to all insured depository institutions, does not cover low-interest bearing NOW or IOLTA accounts and does not provide for a separate assessment for noninterest-bearing transaction accounts. The proposed rule states that “FDIC does not intend to charge a separate assessment for the insurance of noninterest-bearing accounts pursuant to Section 343 of the...Act...[and] will take into account the cost for this additional insurance coverage in determining the amount of the general assessment the FDIC charges insured depository institutions under its risk-based assessment system.”³

The proposed rule recommends extending the burden from those institutions that currently maintain a large number of interest bearing accounts to those who for a variety of legitimate business reasons, may have a more limited number of noninterest bearing accounts. The end result will be disproportionate charges relative to insurance coverage. The Roundtable believes the issue should be simply limited to a proportionate charge. Some banks have a large percentage of their base as noninterest bearing accounts and some a small percentage. Thus, the added assessment from the FDIC for this coverage should be applied proportionately to the level of deposits an institution has of noninterest bearing accounts. The Roundtable believes insured depository institutions should pay a fair price for the insurance coverage provided by the FDIC.

The Roundtable appreciates the opportunity to comment on the FDIC’s proposed changes to the TAGP. Thank you in advance for considering the Roundtable’s comments. If you have any questions, please feel free to contact me or Brian Tate at (202) 289-4322.

Sincerely,



Richard Whiting
Executive Director and General Counsel

² Public Law 111-203 § 343(a)(3) (July 21,2010)

³ 75 FR 60344 (September 30, 2010)