FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC PROPOSES CHANGES TO RULES ON DEPOSIT INSURANCE COVERAGE

The Board of Directors of the Federal Deposit Insurance Corporation has agreed to seek public comment on a variety of proposed changes to the rules governing deposit insurance coverage at banks and savings institutions.

The FDIC is considering the changes for several reasons. Chief among them is that the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires the agency to issue uniform regulations for all FDIC-insured depository institutions, including savings associations previously backed by the Federal Savings and Loan Insurance Corporation. Many of the proposed changes would resolve key differences between the regulations and interpretations of the FDIC and those of the now-defunct FSLIC.

In addition, the FDIC is issuing the proposal to update its deposit insurance rules, which have not been revised substantially since 1967. The changes under consideration are intended to: make existing regulations easier to understand; broaden the scope of regulations to encompass new or increasingly complex deposit accounts; codify certain long-standing interpretations; simplify the procedures for determining deposit insurance coverage; and to provide answers to some of the most frequently asked questions about deposit insurance.

Among the examples of key rules to be reconciled are those regarding revocable trust accounts. Existing FDIC rules provide that when a husband and

-morewife establish a revocable trust account naming themselves as sole beneficiaries, the account is added to any other joint accounts of the couple and is insured up to $100,000. FSLIC rules, though, treated the account as two separate revocable trust accounts and insured it for up to $200,000. Under the new proposal, all insured banks and thrifts would come under the FDIC's rule for such revocable trust accounts. However, the FDIC also is proposing to continue its current rule that revocable trust accounts established by more than one owner for certain qualifying beneficiaries -- spouses, children or grandchildren -- would be insured up to $100,000 for each beneficiary. That would mean that an account owned by two parents in trust for their two children, for example, would be insured up to $400,000.

Other examples of insurance rules to be reconciled include those governing accounts where more than one individual has the right to withdraw funds and where one depositor maintains Individual Retirement Accounts and Keogh retirement plan accounts at the same insured institution.

Comments on the proposed rules are due at the FDIC by February 20, 1990. The FDIC intends to make the rule changes effective 90 days after the final rules are published in the Federal Register. Until final changes become effective, the agency will continue to apply existing FDIC and FSLIC rules and interpretations.

The proposed changes were published in the Federal Register on December 21, 1989. Other copies can be obtained by contacting the FDIC Office of Corporate Communications.

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