



# NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC CLARIFIES DEPOSIT INSURANCE  
FOR PUBLIC UNIT ACCOUNTS--  
REINTERPRETATION PHASED-IN

The Board of Directors of the Federal Deposit Insurance Corporation has announced that it has acted to provide a phase-in period for a new FDIC Legal Division staff interpretation regarding separate deposit insurance coverage for deposits made by multiple custodians of public units who do not qualify as "official custodians" of those funds. The interpretation replaces an earlier 1979 staff opinion that reached an opposite conclusion. Both interpretations were issued in response to inquiries from the Colorado State Treasurer.

The Board's action gave public officials, including those in the State of Colorado where the issue arose, ample time to take appropriate steps to ensure adequate protection of public funds in light of the revised interpretation of the FDIC's insurance regulation.

On March 19, 1985, an FDIC legal opinion rescinded an opinion issued in 1979 that had concluded that multiple custodians of State funds in time deposit accounts in FDIC-insured banks qualified under the FDIC's insurance regulation for separate deposit insurance coverage. The 1979 opinion was based on a Colorado law that authorized the State Treasurer to appoint one or more persons to act as custodians for State funds in time deposit accounts.

The 1985 interpretation concludes that multiple custodians appointed pursuant to the Colorado statute are not "official custodians" under the Federal Deposit Insurance Act or under the FDIC's insurance regulation.

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Therefore, they are not entitled to separate deposit insurance coverage. The revised interpretation notes that the multiple custodians appointed under the Colorado statute exercise no control over public funds and are not, therefore, custodians in fact, and appear to have been appointed solely in an effort to increase deposit insurance coverage.

In order to protect public funds placed in FDIC-insured banks in reliance on the 1979 opinion, the Board ordered that the new ruling be phased-in for all State or local public unit deposits placed before announcement of the revised interpretation. Specifically, the Board ordered that any deposit in an FDIC-insured bank which was made by a public unit official through multiple custodians appointed under the Colorado statute in question or under any similar State or local law and which was made, renewed, or extended on or before April 5, 1985 (March 19, 1985 for deposits made by the Colorado State Treasurer) will be insured under the 1979 interpretation, and those made, renewed, or extended after that date will be insured under the 1985 interpretation.

Further information may be obtained by writing or phoning the FDIC's Legal Division, 550 17th Street, N.W., Washington, D.C. 20429, (202) 389-4171.

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