PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC PROPOSES LICENSING REQUIREMENTS FOR SECURITIES REPRESENTATIVES, SETS SAIF ASSESSMENTS AND APPROVES AGENCY BUDGET

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation today proposed licensing requirements for bank employees who sell non-deposit investments such as mutual funds. The program, if approved after a 60-day comment period, would be administered by the National Association of Securities Dealers Inc. (NASD).

In other action, the Board took steps to set assessments on SAIF-assessable deposits at zero for the best-managed institutions; announced assessment rates for Financing Corporation bonds; approved a 1997 budget that is 12 percent lower than the current year's budget; and proposed a rule that clarifies securities recordkeeping requirements for state-chartered nonmember banks.

The proposed securities licensing rule would establish requirements for banks and bank securities representatives (BSR) that are consistent with the professional qualifications for broker- dealers and registered representatives. The NASD will administer the licensing of bank securities representatives for the FDIC and has agreed to use its central registration depository as a database for tracking sponsoring banks and BSRs.

"This rule will enhance consumer protection by assuring bank customers that the securities representatives they deal with have adequate training and knowledge of the uninsured products they sell," said FDIC Chairman Ricki Helfer.

Under the rule, bank employees will be required to take and pass a qualification examination as a prerequisite to engaging in the retail solicitation, recommendation, purchase, or sale of certain securities. After passing the exam, they would be required to register with the NASD as a bank securities representative.

FDIC

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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The rule would also require institutions employing BSRs to register with the NASD as sponsoring organizations and to notify the NASD when securities representative leave the bank. Institutions would be required to withdraw their name as a sponsoring organization through the NASD if they no longer employ any BSRs.

The Federal Reserve Board and the Comptroller of the Currency are expected to issue similar proposals.

In setting new Savings Association Insurance Fund assessment rates for the first semiannual period, the board established a risk-based schedule that ranges from 4 basis points -- or 4 cents for each $100 of assessable deposits -- to 31 basis points. The rule also gives the board the flexibility to adjust rates by as much as five basis points without notice-and-comment rulemaking. The board used that authority today to lower SAIF assessment rates to a range of 0 to 27 basis points.

The new rates, which are identical to those previously approved for Bank Insurance Fund members, are effective as of October 1, 1996, for Sasser and Oakar institutions and on January 1, 1997, for all other SAIF-insured institutions.

The board also announced Financing Corporation assessment rates for the first semiannual period of 1997. The annualized rate amounts to 6.48 basis points for SAIF members and 1.3 basis points for BIF members. Although FICO has legal authority to set the rate, the FDIC acts as collection agent for FICO. Under the Deposit Insurance Funds Act of 1996, the FICO assessment is collected separately and in addition to the insurance fund assessment. The FICO assessment pays interest on debt incurred in an effort to recapitalize the former Federal Savings and Loan Insurance Corporation.

In addition, the board also approved a 1997 budget of $1.62 billion, down $221 million or 12 percent from the $1.84 billion authorized in 1996. The budget reduction follows a year in which spending is expected to be $80 million below budget and reflects the continued impact of the Corporation's downsizing initiatives.

The 1997 budget includes $39 million in expenses related to the downsizing. The spending, which will pay for office consolidation and an employee buyout program, will result in substantial savings beginning in 1998. In 1996, the Corporation was able to achieve savings by consolidating the RTC Financial Service Centers into FDIC Field Financial Operations in Dallas, Texas; through staff reductions; and by decreasing reliance on outside lawyers as the banking industry's health improved and litigation declined.

The board also approved a proposed rule for recordkeeping and confirmation requirements for state-chartered, nonmember banks. The proposal reorganizes Part 344 of the FDIC's rules and regulations, clarifies areas where the rule was confusing, incorporates significant interpretive positions and updates various provisions to address market developments and regulatory changes by other regulators.