



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC WILL CONTINUE TO RELY ON GENERAL COUNSEL OPINION RATHER THAN ISSUE RULES ON STORED-VALUE CARDS**

FOR IMMEDIATE RELEASE

FDIC Chairman Andrew C. Hove, Jr. announced today that the agency has decided not to propose regulations or seek legislative action at this time to define stored-value cards as "deposits" for purposes of insurance coverage. The agency will continue to rely on guidance provided in General Counsel Opinion No. 8, which clarified conditions for stored-value cards to qualify for federal deposit insurance coverage.

The FDIC expects insured depository institutions to clearly and conspicuously disclose to customers the insured or non-insured status of the stored-value cards they offer to the public. If customer confusion in this area impedes the cards' acceptability or customers' ability to meaningfully distinguish differing card systems, the FDIC may revisit the need for regulation.

In its decision, the agency took into account public comments it received on the General Counsel's opinion as well as an analysis of the types of stored-value cards now offered to the public.

In the General Counsel opinion letter, published in the Federal Register on August 2, 1996, the FDIC concluded that in most cases stored-value cards are not protected by deposit insurance because the issuing institution would typically maintain a single pooled account to hold the funds represented by all their customers' stored-value cards. However, a bank customer's balance on a stored-value card would be covered by deposit insurance if the funds used to pay for goods and services with the card remain in the customer's account at the bank until the value is transferred to the merchant. The



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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FDIC held a public hearing on September 12, 1996, to listen to the views of consumers, bankers and others on whether the FDIC should issue regulations on providing deposit insurance coverage for stored-value card balances. Most hearing participants and the majority of those submitting written comments agreed with the General Counsel's analysis and believed it was unnecessary at this time for the FDIC to issue a rule on applying deposit insurance to stored-value cards.

The computer technology supporting stored-value products is rapidly evolving. The FDIC is concerned that premature regulation could stifle experimentation or burden banks with costs that would unfairly place bank systems at a competitive disadvantage. The FDIC believes any regulation in this area should be based on an accumulation of data from actual experience with these systems. Stored-value cards are now issued to a small portion of the banking public, so the compromise of any stored-value card system does not pose a particularly serious risk to any card-issuing bank or the banking system as a whole.

The FDIC continues to monitor stored-value cards as part of its examinations for safety and soundness as well as compliance with consumer credit laws, and may consider a regulatory response at a future date.

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