



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Looks to Modernize the Way it Determines Uninsured Deposits at Large Banks

Issues an Advance Notice of Proposed Rulemaking for a 90-Day Comment Period

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) has begun to solicit comments on the best way to improve the process of determining the insurance status of depositors of larger institutions in the event of a failure. For purposes of the advance notice of proposed rulemaking (ANPR), a large institution would have more than 250,000 in deposit accounts and \$2 billion in domestic deposits. Currently, 145 institutions out of the more than 8,800 insured by the FDIC meet the criteria.

The FDIC's ability to rapidly determine the insured status of deposit accounts is essential to resolving bank failures in the most cost effective and least disruptive fashion. While the banking industry today is healthier than at any point in the FDIC's near 75-year history, consolidation in the industry has resulted in larger, more geographically diverse and complex institutions. Because of these recent changes in the industry, the FDIC is seeking to update and modernize the deposit claims process, not any perceived or imminent problems facing any of these institutions.

The last time the FDIC updated its deposit insurance determination process was in 1999. The largest number of deposit accounts in a failed institution where the FDIC had to make an insurance determination was in on July 27, 2001, for Superior Bank, FSB, Hinsdale, Illinois, with about 90,000 deposit accounts. Today, some of the larger banks have in excess of 40 million deposit accounts.

The ANPR lists three options for comment, but also solicits other means by which the FDIC can meet the same goals. Three options are:

- Option 1 – would require a large institution to integrate into its deposit systems the following capabilities and take the following actions: the ability to automatically place provisional holds on a percentage of large deposits; provide the FDIC with deposit data in a standard format to include a unique depositor ID and the insurance category for



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.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-122-2005

each account (currently these two data items are not available at institutions.); and based on the insurance determination results, the ability to automatically remove provisional holds and debit accounts for the uninsured portion of deposits.

- Option 2 – is the same as Option 1, but would not require a unique depositor ID nor the account insurance category. In other words, the standard data set would include only data that institutions currently possess.
- Option 3 – would only apply to the largest 10-20 institutions and would require them to know the insurance status of each depositor and be able to debit uninsured funds subject to loss in the event of failure.

Comments will be accepted for 90 days after publication in the Federal Register. The ANPR is available on the FDIC's Web site at www.fdic.gov.