PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Proposes New Rule on Insurability of Funds Underlying Stored Value Cards

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today proposed a new rule on the insurability of funds subject to transfer or withdrawal through the use of stored value cards and other nontraditional access devices, such as computers. This proposed rule replaces the proposed rule issued in April 2004.

A "stored value card" can be a mechanism that enables a cardholder to transfer funds to merchants or withdraw funds through an automated teller machine. Under the new proposed rule, these funds would be insurable "deposits" provided the funds have been placed at an insured depository institution. The new rule itself does not recognize any exceptions to this classification for such funds as "deposits," but the FDIC is requesting comments on certain narrow exceptions.

In many cases, the funds underlying stored value cards are placed at an insured depository institution by one party for transfer or withdrawal by other parties. For example, in the case of "payroll cards" the funds may be placed at an insured depository institution by an employer for transfer or withdrawal by employees. Similarly, in the case of "gift cards," the funds may be placed at an insured depository institution by a retail store for transfer or withdrawal by the purchasers of the cards.

Under the new proposed rule, the first party (the party who places the funds at the bank) would be treated as the insured depositor unless (1) the records of the insured depository institution indicate that the first party is not the owner of the funds; and (2) records maintained by the depository institution or the first party reflect the identities of the cardholders and the amount payable to each cardholder. If both of these requirements are satisfied, the funds held by the depository institution would be insured on a "pass-through" basis to the cardholders.

The FDIC is requesting comments on the new proposed rule as well as comments on whether disclosures about the insured status of the funds should be mandated. Comments will be accepted within a 90-day period following publication of the new proposed rule in the *Federal Register.*