PRESS RELEASE

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FDIC Issues Final Rule on Recordkeeping Requirements for QFCS

The Board of Directors of the Federal Deposit Insurance Corporation today issued a final rule to improve the FDIC's ability to monitor and evaluate risks in certain insured depository institutions with qualified financial contracts (QFCs), as well as assure preparedness if such institutions fail. The recordkeeping requirements in the final rule will require insured depository institutions, defined as troubled, to provide certain crucial information to the FDIC in a timely manner, including adequate position level documentation of the counterparty relationships of failed institutions. This information is critical to the FDIC's ability to monitor risks in such institutions and meet its statutory obligations regarding the treatment of QFCs in the event of its appointment as receiver of a failed insured depository institution. Under this statutory framework, the final rule further improves the FDIC's ability to facilitate an orderly resolution of QFCs and insured institutions in a manner that is least costly to the deposit insurance fund and limits the potential for uncertainty and disruption in the financial markets.

The final rule requires an institution in troubled condition, upon written notification by the institution's appropriate federal banking agency or the FDIC, to produce (1) certain position level and counterparty level data and (2) certain QFC counterparty and portfolio identifiers, in addition to other QFC-related information. This information must be made available to the FDIC immediately at the close of processing of the institution's business day for a period provided in the notification. A de minimus exception is included in the final rule which provides an exemption to institutions with a small number of QFCs from the mandatory electronic files requirements that apply to other institutions.

On July 28, 2008, the FDIC published in the *Federal Register* a notice of proposed rulemaking concerning these QFC recordkeeping requirements and requested public comment. The FDIC received four comment letters from industry groups. The comment letters generally supported the FDIC's adoption of the rule to require recordkeeping of QFCs held by troubled institutions but raised concerns regarding, among other things, the deadline for compliance with the rule. After reviewing the comments, FDIC staff revised the proposed rule to alleviate undue regulatory burden where feasible. The final rule expands the time frame for compliance from 30 to 60 days and permits institutions to request additional time for compliance, which the FDIC will review on a case-by-case basis. The FDIC believes that the final rule is consistent with recommendations set forth in the Counterparty Risk Management Policy Group's August 6, 2008, report, and with broader efforts being undertaken to strengthen the resilience of financial markets.

The final rule will be effective 30 days after publication in the *Federal Register*.

The draft *Federal Register* notice is attached.

Attachment:
Federal Register Notice (PDF Help)