Statement by FDIC Chairman Martin J. Gruenberg
On the Final Rule on Raising DIF Reserve Ratio to 1.35 Percent
At the FDIC Board Meeting, Washington, DC
March 15, 2016

In 2010, Congress in the Dodd-Frank Act raised the minimum reserve ratio for the Deposit Insurance Fund from 1.15 percent to 1.35 percent and required that the reserve ratio reach the new minimum by September 30, 2020. The Act also provided that institutions with $10 billion or more in assets would be responsible for closing the gap between 1.15 percent and 1.35 percent.

As we just heard, FDIC staff projects that the reserve ratio will likely reach 1.15 percent in the first half of this year.

In 2011, when the Board adopted the current assessment rates, it also provided for lower regular assessment rates for all institutions when the reserve ratio reaches 1.15 percent. Under that existing rule, average assessments for institutions with less than $10 billion in assets will be reduced by close to one-third.

In October of last year, the Board authorized the publication of a proposed rulemaking to raise the reserve ratio to 1.35 percent as required by law. The FDIC received eight comments on the proposed rulemaking and considered those comments in developing the final rule before the Board today.

The final rule follows the proposal in imposing a 4.5 basis point surcharge on institutions with $10 billion or more in assets to bring the reserve ratio up to the statutorily required level.

The FDIC expects that eight quarters of surcharges will be required to bring the reserve ratio to 1.35 percent.

As I indicated when the Board adopted the notice of proposed rulemaking, I believe the FDIC is taking a balanced approach. A large majority of institutions will have substantially reduced assessments when the reserve ratio reaches 1.15. Even many mid-sized institutions subject to surcharges are expected to pay a lower total assessment rate – including their surcharges – than currently. The assessment surcharges on large institutions will be spread out over time and should be manageable for the institutions. By aiming to reach the minimum reserve ratio ahead of the statutory deadline, this approach reduces the risk that the FDIC will have to raise rates unexpectedly in the event of a future period of stress and should allow the FDIC to maintain stable and predictable assessments.

I support this final rule and thank the FDIC staff for their excellent work.