



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

January 31, 1995

FDIC REQUIRING NEW DISCLOSURES OF "PASS-THROUGH" DEPOSIT INSURANCE COVERAGE

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today adopted new rules requiring insured institutions to provide timely disclosures to depositors in certain retirement accounts and employee benefit plans about whether their funds qualify for "pass-through" insurance coverage. In general, "pass-through" insurance means that the share of each participant in the account, rather than the total account balance, is insured up to \$100,000.

A 1991 law and FDIC regulations that went into effect in 1992 provide for "pass-through" deposit insurance coverage for employee benefit plan accounts if the insured institution satisfies certain capital standards. However, the agency has received numerous comments from the public about the difficulty of obtaining timely information about capital levels and, thus, the availability of this form of insurance protection. The FDIC's new rules are intended to provide timely disclosures for depositors, without significantly adding to regulatory burdens for institutions.

Chairman Ricki Tigert Helfer said: "The FDIC's new disclosures are important for helping depositors know if they are receiving the benefit of 'pass-through' insurance coverage. Even so, the insurance standards are fairly complex and the disclosures may not be enough to remove the uncertainties depositors may have. That is why we believe Congress should consider simpler standards for 'pass-through' insurance coverage for employee benefit plan accounts, perhaps by using some yardstick other than capitalization."

At issue are deposits in accounts such as 401(k) retirement accounts, Keogh plan accounts, and corporate pension plan and profit-sharing plan accounts. The new FDIC disclosures include requirements that:



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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- Upon request from an administrator or manager of such an account, an insured depository institution disclose in writing its current "prompt corrective action" (PCA) capital category (ranging from "well capitalized" to "critically undercapitalized"), various capital ratios, and a statement whether the deposits are believed to be eligible for "pass-through" insurance;
- When an affected account is opened, the institution must disclose in writing its PCA capital category, a description of the requirements for "pass-through" insurance coverage, and a statement whether the deposits are believed to be eligible for such coverage; and
- When an existing account is believed to be no longer eligible for "pass-through" insurance coverage, the institution will have 10 business days to disclose in writing to all affected depositors the institution's PCA capital category and a notice that new, rolled-over or renewed deposits will not be eligible for "pass-through" insurance.

The new rules will not go into effect until July 1, 1995, to give institutions time to establish policies and procedures for complying. However, holders of employee benefit plan deposits made between December 19, 1992, and July 1, 1995, will receive specified disclosures if at the time of deposit the account was not eligible for "pass-through" insurance coverage.

As part of the same action, the FDIC agreed to technical amendments to its deposit insurance regulations in three areas: joint accounts; accounts where an insured institution is acting in a fiduciary capacity; and commingled funds of a bankruptcy estate. These technical amendments will take effect 30 days after they are published in the Federal Register.

Last Updated 07/14/1999

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