Financial Institution Letter
FIL-45-2012
November 5, 2012

Notice of Expiration: Temporary Unlimited Coverage for Noninterest-Bearing Transaction Accounts

Background

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and 12 C.F.R. § 330.16 provide temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts (NIBTAs), including Interest on Lawyer Trust Accounts (IOLTAs) from December 31, 2010 through December 31, 2012. This unlimited coverage for NIBTAs is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured depository institution (IDI).

Absent a change in law, effective January 1, 2013, noninterest-bearing transaction accounts no longer will be insured by the FDIC as a separate ownership category. Thereafter, NIBTA deposits at an IDI will be aggregated with any other deposits held by the same person in the same ownership category, with the total insured up to the standard maximum deposit insurance amount, which currently is $250,000.

The FDIC is issuing this Financial Institution Letter (FIL) to (1) provide IDIs with guidance regarding the removal of all notices posted in IDIs' main offices, branches, and Web sites pursuant to 12 C.F.R. § 330.16(c)(1), which describe the temporary unlimited coverage for NIBTAs; and (2) encourage IDIs to provide adequate advance notice to NIBTA depositors of the pending reduction in FDIC deposit insurance coverage beginning January 1, 2013.

Additional guidance will be provided if Congress modifies coverage for NIBTAs.

Removal of 12 C.F.R. § 330.16(c)(1) Notices

Under 12 C.F.R. § 330.16(c)(1), all IDIs were required to post a "Notice of Changes in Temporary FDIC Insurance Coverage For Transaction Accounts" in their main offices, branches, and on their Web sites to advise depositors about the temporary nature of the unlimited deposit insurance coverage for NIBTAs. Because this temporary coverage will expire at year-end, IDIs should remove these notices from their main offices, branches, and Web sites, and should remove any other notices they may have made available to customers, no later than January 2, 2013.

Reminder to NIBTA Depositors of the Expiration of Temporary Full Deposit Insurance Coverage for Noninterest-Bearing Transaction Accounts

Although the Dodd-Frank Act imposes no specific notice requirement for IDIs in connection with the expiration of temporary unlimited coverage for NIBTAs, we encourage IDIs, as a matter of prudent commercial practice, to remind their NIBTA depositors about the pending expiration and the impact that expiration will have on their deposit insurance coverage. IDIs may use any reasonable method of providing reminders to depositors, such as individual written notices to each NIBTA depositor or notices on regular account statements. IDIs may use electronic mail for depositors who ordinarily receive account information in this manner.

Below is model language for such a notice to NIBTA depositors:

> **NOTICE OF EXPIRATION OF THE TEMPORARY FULL FDIC INSURANCE COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS**
>
> By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC).

Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category.

Alternatively, institutions placing a notice on regular account statements with space limitations may wish to utilize a shorter notice to NIBTA depositors, such as:

> **NOTICE:** By federal law, as of 1/1/2013, funds in a noninterest-bearing transaction account (including an IOLTA/IOLA) will no longer receive unlimited deposit insurance coverage, but will be FDIC-insured to the legal maximum of $250,000 for each ownership category.

The FDIC encourages IDIs to be proactive in reminding NIBTA depositors of the scheduled expiration. Reminders should be provided to NIBTA depositors sufficiently in advance of the insurance coverage change so depositors have adequate time to consider the impact of any change in coverage in their management of these transaction accounts.

Review of Account Agreements and Disclosure Statements

Some IDIs may have amended their deposit account agreements and disclosure statements for NIBTAs to include information about the temporary unlimited deposit insurance coverage for these deposits. To ensure that NIBTA account agreements and disclosure statements provided to new IDI depositors accurately reflect the change in coverage as of January 1, 2013, IDIs should review all of their account agreements and disclosure statements used in connection with NIBTA deposits to ensure that these documents accurately reflect FDIC insurance coverage for these accounts as of January 1, 2013. IDIs should complete this review and make necessary adjustments to NIBTA account documentation promptly upon expiration of unlimited coverage.

Providing Collateral for Public Deposits

IDIs are reminded that, in accordance with applicable state law, sufficient collateral should be set aside to secure accounts of government depositors to the extent those accounts exceed $250,000 after December 31, 2012.

Regulatory Reporting

The Call Report items and instructions pertaining to the accounts for which the temporary unlimited coverage applies will remain in effect for purposes of the December 31, 2012 Call Report. Revisions to the Call Report materials for March 31, 2013, will be made as set out below.

Memorandum items 5.a and 5.b on Schedule RC-O, in which institutions report the amount and number of "noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than $250,000" will be removed from the Call Report forms after the year-end 2012 report date. In addition, references to the temporary unlimited coverage in the instructions to Schedule RC-O, Memorandum item 2, "Estimated amount of uninsured deposits, including related interest accrued and unpaid," and Schedule RC-E, Memorandum item 1.c, "Fully insured brokered deposits," will be removed from these instructions in the instruction book update that will be issued as part of the Call Report materials for March 31, 2013.

Corresponding revisions also will be made, effective March 31, 2013, to the FFIEC 002 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, which is filed by the small number of FDIC-insured U.S. branches of foreign banks.

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