



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-85-2007**  
**September 26, 2007**

## **DEPOSIT INSURANCE ASSESSMENTS**

### **Advance Notice of Proposed Rulemaking on Dividends**

**Summary:** The FDIC Board of Directors has approved the attached Advance Notice of Proposed Rulemaking (ANPR). The ANPR seeks comments on alternative methods for allocating dividends as part of a final rule to implement the dividend requirements of the Federal Deposit Insurance Reform Act of 2005 (Reform Act) and the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Amendments Act). The final rule will replace the existing FDIC regulation on dividends, which will expire on December 31, 2008. Comments are due by November 19, 2007.

**Distribution:**

All FDIC-Insured Institutions

**Suggested Routing:**

Chief Executive Officer  
President  
Chief Financial Officer

**Related Topics:**

FDIC Temporary Final Rule on Assessment Dividends, 12 CFR 327, Subpart C; FDIC One-Time Assessment Credit Regulations, 12 CFR 327, Subpart B; FDIC Assessment Dividend Regulations, 12 CFR 327, Subpart C; FDIC Operational Regulations Governing the Assessment Process, 12 CFR 327.1 to 327.8

**Attachment:**

Advance Notice of Proposed Rulemaking

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**Note:**

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**Highlights:**

- The ANPR presents two general approaches to allocating dividends -- the fund balance method and the payments method.
- The two allocation methods potentially differ in the way they balance two factors -- institutions' relative assessment bases as of the end of 1996 and assessments paid after 1996 -- as well as the way the balance changes over time. Thus, the allocation methods potentially differ in the way they treat older institutions (with relatively large assessment bases at the end of 1996) versus newer institutions (with little or no assessment bases at the end of 1996). The fund balance method implicitly balances these two factors. The payments method can be structured to balance these factors in different ways.
- The ANPR also seeks comment on the extent to which the dividend allocation system should reinforce the risk incentives of the risk-based assessment system by taking into account the portion of an institution's assessment that represents higher risk.
- Comments are due by November 19, 2007.