



Deposit Shifting

FIL-76-97
July 29, 1997

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Withdrawal of Proposed Rule on Deposit Shifting*

The FDIC Board of Directors on July 22, 1997, withdrew the proposed rule on deposit shifting that the FDIC issued in February of this year. Attached is a copy of the Federal Register notice withdrawing the proposed rule.

The proposed rule was intended as a means to implement the deposit-shifting statute, a provision of the Deposit Insurance Funds Act of 1996. The statute requires the FDIC, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System and the Office of Thrift Supervision to take appropriate actions to prevent insured depository institutions and their holding companies from facilitating or encouraging the shifting of SAIF-assessable deposits to BIF-assessable deposits to evade assessments imposed on SAIF-assessable deposits. The deposit-shifting statute permits, but does not require, the FDIC to issue implementing regulations.

The Board decided to withdraw the proposed rule because of:

- the diminished rate differential between the assessments paid on BIF-assessable deposits and the assessments paid on SAIF-assessable deposits,
- the lack of evidence of any significant, widespread deposit shifting among depository institutions,
- the regulatory burden that might result from the issuance of a regulation on deposit shifting; and
- the ability of the FDIC and the other federal banking agencies to monitor and enforce the statute on a case-by-case basis.

The Board's decision to withdraw the proposal was consistent with the views of the majority of those who commented on the proposed rule.

The Board noted that the FDIC will monitor the effectiveness of the case-by-case approach to implementing the deposit-shifting statute and, if necessary, reconsider in the future whether a regulation is needed.

For further information, please contact Joseph A. DiNuzzo, Counsel in the Legal Division, at (202) 898-7349.

Nicholas J. Ketcha Jr.
Director

[Attachment](#)

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