



# NEWS RELEASE

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## FDIC PROPOSES NEW DISCLOSURES REGARDING DEPOSIT INSURANCE COVERAGE

The FDIC's Board of Directors today proposed that plan administrators of certain retirement and other employee benefit accounts be provided timely disclosures about whether their funds qualify for "pass-through" deposit insurance coverage.

In general, "pass-through" insurance means that each participant in the account, rather than the total account balance, is individually insured up to \$100,000. For example, if there are 25 participants in the account, the funds would be insured by the FDIC to \$2.5 million if the insured depository institution were to fail. Without "pass-through" insurance, the \$2.5 million account would qualify for only \$100,000 of insurance coverage.

Under a 1991 law and FDIC regulations published in May 1993 to implement the statute, depositors in certain retirement and other employee benefit plan accounts are entitled to "pass-through" deposit insurance coverage based, in part, on whether the insured institution satisfies certain capital standards. That restriction went into effect December 19, 1992. However, the FDIC has received numerous comments on the difficulty of obtaining public information about an institution's capital status and, thus, knowledge of whether these types of deposits would be eligible for "pass-through" insurance. The FDIC proposal announced today is intended to reduce the uncertainty for depositors, primarily employee benefit plan administrators, while at the same time minimizing the regulatory requirements for insured institutions.

Among the types of accounts affected by the proposed rule are 401(k)

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retirement accounts, Keogh plan accounts, and corporate pension plan and profit-sharing plan accounts.

Under the FDIC proposal, there would be four situations when an employee benefit plan administrator would receive notice of an institution's "prompt corrective action" (PCA) capital category. (The five PCA categories range from "well capitalized" to "critically undercapitalized.") In addition, the notice would state whether employee benefit plan deposits at the institution would qualify for "pass-through" insurance coverage.

The four situations that would trigger a disclosure are: (1) when an existing or prospective employee benefit plan depositor requests the information; (2) when someone opens an employee benefit plan account; (3) when the institution has been informed that its capital category has been reduced to "adequately capitalized" from "well capitalized," as a warning to all depositors of employee benefit plan funds at the institution that additional information from the institution is necessary if there is to be "pass-through" insurance; and (4) when the institution's capital category has been reduced to a PCA capital category below "adequately capitalized," thus eliminating "pass-through" insurance coverage on additional deposits.

Also, upon request, existing and prospective employee benefit plan depositors would receive more detailed information about the institution's actual capital ratios.

With the exception of immediate disclosures to depositors of new accounts, the notices would be provided within two business days.

In addition, the FDIC Board is proposing two technical amendments involving the insurance rules for joint accounts and accounts where the institution is acting as a fiduciary.

Written comments on the proposed rule will be accepted for 60 days after it is published in the Federal Register.