



NEWS RELEASE

FOR IMMEDIATE RELEASE

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FDIC PROPOSES RULES TO IMPLEMENT STATUTORY CHANGES IN INSURANCE COVERAGE

The FDIC Board of Directors today issued for comment a proposal to implement certain changes in deposit insurance coverage mandated by Congress and to require insured institutions to inform customers of the new rules.

The vast majority of the FDIC's deposit insurance regulations, such as the basic rules providing that individual accounts are insured to \$100,000 separately from joint accounts, remain unchanged by the FDIC Improvement Act of 1991. However, that law made other important revisions to the insurance rules to be effective later this year and next year, mostly in the area of retirement accounts and other employee benefit plan accounts.

These include a statutory requirement that, effective December 19, 1993, an individual's deposits at the same institution in any combination of Individual Retirement Accounts (IRAs), self-directed Keogh Plan accounts, "457 Plan" accounts (a deferred compensation plan established by certain state and local governments and not-for-profit organizations) and self-directed defined contribution plans be protected by federal insurance up to \$100,000 in the aggregate. This is a reduction from the maximum of \$400,000 in insurance coverage now provided for deposits in these four types of retirement plans.

The new law continues "pass-through" insurance coverage for most employee benefit plans (i.e., \$100,000 per individual participating, not \$100,000 per plan account). However, certain employee benefit plan accounts kept in undercapitalized institutions and other institutions not authorized by the FDIC to accept brokered deposits will be covered only up to \$100,000 per plan account, not \$100,000 per participant. IRAs, self-directed Keoghs and self-directed defined contribution plans are exempted from this restriction.

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Other provisions of the new law eliminate deposit insurance coverage for most Bank Investment Contracts (or BICs, a type of liability issued by a bank and usually acquired by a pension fund) and expand coverage for 457 Plan deposits (to \$100,000 per participant at both banks and savings associations, not just at savings associations as is now the case).

Although today's plan essentially would implement changes mandated by the law, the FDIC also is asking for comment on a proposal to require all insured institutions to notify customers of the rule changes by June 30, 1993. However, comments are being requested on alternate means of notifying the public, such as mailing the notice only to depositors affected by the rule changes.

The FDIC also is proposing to recognize for insurance purposes only the vested interests of employee benefit plan participants, not both vested and unvested amounts. Congress required the FDIC to recognize only vested interests for certain employee benefit plans, but the agency is considering whether to impose this restriction for all employee benefit plan deposits.

Also under the proposal, any certificate of deposit established before December 19, 1991, and maturing after December 19, 1993, generally would be subject to the insurance rules that existed on the date of deposit, coming under the new rules at the first maturity date after December 19, 1993. Any rollover or renewal of a time deposit before December 19, 1993, would be considered a new deposit and therefore would be subject to the new rules.

Written comments on the FDIC proposal will be accepted for 60 days after it appears in the Federal Register.

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