FDIC

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

Financial Institution Letter
FIL-24-2008
March 26, 2008

DEPOSIT INSURANCE ASSESSMENTS

Notice of Proposed Rulemaking on Dividends

Summary: The FDIC Board of Directors has approved the attached Notice of Proposed Rulemaking (NPR), which seeks comments on regulations to implement dividend requirements in the Federal Deposit Insurance Reform Act of 2005 (Reform Act) and the Federal Deposit Insurance Conforming Amendments Act of 2005 (Amendments Act). The NPR is the follow-up to the Advance Notice of Proposed Rulemaking on assessment dividends that the FDIC issued in September 2007, and the temporary final rule on assessment dividends that the FDIC issued in October 2006. The final rule will replace the existing FDIC regulations on dividends, which will expire on December 31, 2008. Comments on the NPR are due by May 23, 2008.

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:
Notice of Proposed Rulemaking

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Highlights:

- The NPR proposes a variation of the “payments” method for allocating future dividends to FDIC-insured institutions. The NPR would divide the total dividend in any year into two parts. One part would be allocated based on the ratio of each institution’s (including any predecessors’) 1996 assessment base compared to the total of all existing eligible institutions’ 1996 assessment bases. The other part of the total dividend would be allocated based on each institution’s (including any predecessors’) ratio of cumulative eligible premiums over the previous five years to the total of cumulative eligible premiums paid by all existing institutions (or their predecessors) over the previous five years.
- The part of any potential dividend that would be allocated based upon the 1996 assessment base shares would decline steadily from 100 percent to zero over 15 years. The part of any potential dividend that would be allocated based on eligible premium shares would increase steadily over the same 15-year period from zero to 100 percent. After the 15-year period, any dividend would be allocated solely based on eligible premium shares.
- An eligible premium would be a premium charged up to the maximum rate for a Risk Category I institution, including such premiums paid using one-time assessment credits.
- The NPR also seeks comments on the non-allocation provisions of the rulemaking. Only minor changes are proposed to the non-allocation provisions of the temporary final rule.
- Comments are due by May 23, 2008.