

January 24, 2011

MEMORANDUM TO: The Board of Directors

FROM: Sandra L. Thompson
Director, Division of Supervision and
Consumer Protection

Michael H. Krimminger
Acting General Counsel

SUBJECT: NPR - Required Banker
Training on Deposit Insurance Coverage

RECOMMENDATION:

Staff recommends that the Board of Directors authorize the Executive Secretary to publish in the *Federal Register* a Notice of Proposed Rulemaking (“proposed rule”) that would amend the FDIC’s deposit insurance regulations to require: 1) insured depository institutions (“IDIs”) to have employees with authority to open accounts and/or respond to customer questions about deposit insurance coverage to complete designated training on the fundamentals of the deposit insurance rules; 2) employees opening new accounts to provide customers whose aggregate deposit ownership may exceed the Standard Maximum Deposit Insurance Amount (“SMDIA”) with the FDIC publication, *Deposit Insurance Summary*; and 3) IDIs to provide a link to EDIE on their website (if any).

DISCUSSION:

Current Regulations

FDIC regulations currently do not require IDI employees to be trained in the basic principles of FDIC deposit insurance coverage or to assist customers in ascertaining whether their deposits are fully covered by federal deposit insurance. The FDIC receives tens of thousands of telephone calls, emails and correspondence annually from depositors and IDI employees seeking information and advice about FDIC deposit insurance coverage. These inquiries reveal that many depositors do not know whether their deposits are fully insured and that bank employees often are unfamiliar with the scope of deposit insurance coverage. In addition, the FDIC regularly receives complaints from IDI customers, asserting that their banks were unable to answer their deposit insurance questions or, in some cases, may have provided inaccurate deposit insurance guidance. The FDIC is concerned that these situations could cause financial harm to depositors and have the potential to undermine customer confidence in IDIs and the federal deposit insurance system.

The Proposed Rule

To address the issues described above, staff recommends that a new section be added to the FDIC's insurance regulations. This new section would establish three new requirements for IDIs.

First, IDIs would be required to have employees with the authority to open deposit accounts and/or respond to customer questions about FDIC deposit insurance coverage complete a computer-based instructional ("CBI") program provided to IDIs by the FDIC. This program would provide users with an introduction to FDIC deposit insurance coverage, with specific focus on the general principles of insurance coverage and the rules and requirements for the account ownership categories. It would also introduce users to the information resources available from the FDIC, including EDIE, deposit insurance guides and on-demand videos. Further, this self-paced training module would include frequent knowledge checks to help the user evaluate his or her understanding of the information presented.

This self-administered training program would take less than two hours for most IDI employees to complete. Current employees would be required to complete the training once in any 12-month period. Each new employee with the duties previously described would be required to take the training within 30 days of commencing employment. Current employees at the time of the effective date of the final rule would be required to take the training within 60 days of the effective date.¹

Second, IDIs would be required to institute procedures ensuring that, regardless of the manner in which a customer opens a new account, the IDI inquires about the existence of other deposit accounts at the same IDI and whether the aggregation of those accounts is over the SMDIA, currently \$250,000. Thus, for an account opened in person or by telephone, the employee opening the account would ask the customer whether the customer maintains any other accounts at the IDI (including accounts opened at other IDI branch locations) and, if so, whether the combined balances of all the accounts exceed the SMDIA. If the response is in the affirmative, then the IDI employee would provide the customer with a copy of the FDIC's *Deposit Insurance Summary*. In the case of deposit accounts opened by mail, via the Internet or by means of other technology, these inquiries could be included in the paper or electronic application form, with the link to the *Deposit Insurance Summary* provided to the depositor.

The rule would apply to all types of deposit accounts opened by a customer, with the exception of pass-through accounts as to which the IDI does not, in the normal course of

¹ Further, IDIs are encouraged to provide additional training, using a range of media, to help employees understand the FDIC's deposit insurance rules. The FDIC provides multiple, cost-free training resources on the deposit insurance rules to the industry, for use on a voluntary basis, including in-person training sessions, written materials, videos, EDIE and telephone seminars presented by FDIC personnel.

business, keep records of the beneficial owners. The rule would not require an IDI to provide counsel or advice to the customer regarding how to maximize the deposit insurance by allocating deposits across any of the identified accounts. The rule would not impose a deposit insurance training requirement on third parties (e.g., deposit brokers or affinity groups) that directly or indirectly promote the deposit of funds in a specified IDI. However, the Corporation urges any entity that encourages or facilitates deposits in IDIs to provide appropriate information in response to inquiries on deposit insurance coverage.²

Third, the proposed rule would require an IDI to provide a link to EDIE on any website it maintains for use by customers. IDIs can link to EDIE, at no cost, in two ways — via Online EDIE or Brandable EDIE. Online EDIE is available directly from the FDIC’s website at www.fdic.gov/edie. With Online EDIE, IDIs link to the application, which resides on the FDIC's website, and IDI customers are then taken from the IDI’s website to the FDIC’s website. Brandable EDIE, which can be accessed free from FDIC Connect, allows an IDI to customize and integrate the EDIE application into the IDI’s own website, so customers can access EDIE without leaving the IDI’s website.

Comment Period

The proposed rule would provide for a 60 day comment period.

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² See footnote 1.