FDIC

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

Financial Institution Letter
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ASSESSMENTS

Assessment Rate Adjustment Guidelines

Summary: On September 13, 2011, the FDIC Board of Directors (FDIC Board) adopted the attached guidelines describing the process that the FDIC will follow to determine whether to make an adjustment to the score used to calculate the deposit insurance assessment rate for a large or highly complex institution, to determine the size of any adjustment, and to notify an institution of an adjustment. Deposit insurance assessment rates are determined according to the Final Rule on Assessments and Large Bank Pricing that was approved by the FDIC Board on February 7, 2011. The guidelines apply to institutions with $10 billion or more in assets.

Statement of Applicability to Institutions with Total Assets under $1 Billion: The guidelines have no impact on institutions with less than $1 billion in assets.

Distribution:
All FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
President
Chief Financial Officer

Related Topics:
FDIC Regulations Governing the Assessment Process, 12 CFR Part 327

Attachment:
Assessment Rate Adjustment Guidelines

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Note:
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Highlights:

- For quarters beginning April 1, 2011, and thereafter, the FDIC began using a new methodology for determining assessment rates for highly complex and other large insured depository institutions. [Assessments, Large Bank Pricing, 76 Fed Reg. 10672 (Feb. 25, 2011)].
- The new methodology combines CAMELS ratings and forward-looking financial measures into one of two scorecards, one for highly complex institutions and another for all other large institutions, to produce a total score.
- The FDIC may make a limited adjustment to an institution's total score based upon risks that are not adequately captured in the scorecard.
- Institutions may make a written request to the FDIC for an adjustment that is supported by evidence of a material risk or risk-mitigating factor that is not adequately accounted for in the scorecard.
- The guidelines, which are attached, provide examples of circumstances that might give rise to an adjustment.
- The guidelines supersede the large bank pricing adjustment guidelines published on May 15, 2007.

ASSESSMENTS

Statement of Applicability to Institutions under $1 Billion

The assessment rate adjustment guidelines apply only to institutions with $10 billion or more in assets. The guidelines have no impact on institutions with less than $1 billion in assets.

Assessment Rate Adjustment Guidelines for Large and Highly Complex Institutions

On February 7, 2011, the FDIC Board of Directors (FDIC Board) amended its assessment regulations and established a new methodology for calculating deposit insurance assessment rates for highly complex and other large insured institutions [Large Bank Pricing Rule, 76 Fed. Reg. 10672 (Feb. 25, 2011)]. The new methodology combines CAMELS ratings and financial measures to produce a score that is converted into an institution's assessment rate. The Large Bank Pricing Rule authorizes the FDIC to adjust an institution's total score by 15 points, up or down. On September 13, 2011, the FDIC Bard adopted the attached guidelines describing the process that the FDIC will follow to determine whether to make an adjustment, to determine the size of any adjustment, and to notify an institution of an adjustment. The guidelines also provide examples of circumstances that might give rise to an adjustment.

Brief Summary of Approach

- The FDIC will focus on identifying institutions for which a combination of risk measures and other information suggests either materially higher or lower risk than their total scores indicate (an adjustment of at least five points).
- The FDIC will primarily consider two types of information in determining whether to make an adjustment: (1) a scorecard ratio or measure that exceeds the maximum cutoff value for that ratio or measure or is less than the minimum cutoff value, along with the degree to which the ratio or measure differs from the cutoff value; and (2) information not directly captured in the scorecard, including complementary quantitative risk measures and qualitative risk considerations.
- The FDIC will consult with an institution's primary federal regulator and appropriate state banking supervisor before making or removing an adjustment.
- An institution will have an opportunity to respond before increasing a score or removing a decrease in score.

- An institution may make a written request to the FDIC for an adjustment to its total score. The institution's request must be supported with evidence of a material risk or risk-mitigating factor that is not adequately captured or considered in the scorecard. An institution-initiated request should be received by the FDIC no later than 35 days following the end of the quarter for which the institution is requesting the adjustment. An institution-initiated request for adjustment received later may not provide the FDIC sufficient time to appropriately assess and respond to the request for adjustment; therefore, requests received after this deadline may not be considered until the following quarter.
- An institution may request review of, or appeal, adjustment decisions pursuant to 12 CFR 327.4(c). An institution may similarly request review of, or appeal, a decision not to apply an adjustment following a request by the institution for an adjustment.
- While the FDIC is not precluded from making an adjustment immediately following adoption of these guidelines, the FDIC intends to initially make few, if any, adjustments until it develops a thorough understanding of the impact of the new pricing system.

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