FDIC

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

Financial Institution Letter
FIL-53-2015
November 17, 2015

MINIMUM DIF RESERVE RATIO REQUIREMENT

Notice of Proposed Rulemaking

Summary: On October 22, 2015, the FDIC Board of Directors approved the attached Notice of Proposed Rulemaking (NPR) to implement the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act: (1) raising the minimum reserve ratio of the Deposit Insurance Fund (DIF) from 1.15 percent to 1.35 percent; (2) requiring that the reserve ratio reach 1.35 percent by September 30, 2020; and (3) requiring that the FDIC offset the effect of the increase in the minimum reserve ratio on insured depository institutions with total consolidated assets of less than $10 billion (small banks). The NPR proposes to surcharge insured depository institutions with total consolidated assets of $10 billion or more (large banks) and grant credits to banks with fewer assets for the portion of their regular assessments that contribute to increasing the reserve ratio from 1.15 percent to 1.35 percent. Comments on the NPR are due January 5, 2016.

Statement of Applicability to Institutions under $1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-Insured Institutions.

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:
Notice of Proposed Rulemaking

Contact:
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Note:
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Highlights

- Under a rule adopted by the FDIC in 2011, regular assessment rates for all banks will decline when the reserve ratio reaches 1.15 percent. Banks with total assets of less than $10 billion will have substantially lower assessment rates under the 2011 rule.
- The NPR would impose a quarterly surcharge at a 4.5 basis point annual rate on large banks once the DIF reserve ratio reaches 1.15 percent.
- The assessment base for the surcharge would be a large bank's regular assessment base, but: (1) increased by apportioning the assessment bases of any affiliated small banks among their large bank affiliates; and (2) reduced by $10 billion, although affiliated large banks would share a single $10 billion reduction.
- Surcharges, in combination with regular assessments, are projected to raise the reserve ratio from 1.15 percent to 1.35 percent in approximately 8 quarters.
- In the unlikely event that the reserve ratio has not reached 1.35 percent by December 31, 2018, the FDIC would impose a shortfall assessment on large banks on March 31, 2019 and collect it on June 30, 2019.
- Small banks would receive assessment credits for the portion of their assessments that contribute to the increase in the reserve ratio from 1.15 percent to 1.35 percent.
- Credits would reduce small banks' regular assessments up to 2 basis points annually when the reserve ratio is at or above 1.40 percent.