

FDIC Proposals on TAG, Insurance Assessments

April 15, 2010

Dear clients and friends:

The **Federal Deposit Insurance Corporation** on April 13 issued a **proposed interim rule** that would extend its Transaction Account Guarantee (TAG) program through December 31, 2010.

Under TAG, the FDIC provides unlimited deposit insurance coverage on qualifying noninterest-bearing transaction accounts and qualifying Negotiable Order of Withdrawal (NOW) accounts. The insurance coverage on those accounts is scheduled to revert to a maximum \$250,000 on July 1, 2010. If the FDIC makes the proposal a final rule, its Board would have discretion to extend TAG through the end of 2011 without additional rulemaking.

The FDIC said it plans to extend TAG primarily to help community banks retain their larger business checking accounts.

On April 13, the FDIC also issued a **proposed rule** that would revise its system of deposit insurance assessment for larger banks. The proposal would create new methods for determining assessments for “large institutions”, with more than \$10 billion in assets, and for “highly complex institutions”, which have more than \$50 billion in assets and are fully owned by a parent with more than \$500 billion in total assets.

A **summary** provides details on how the FDIC would use stress tests and risk management assessments in reviewing those banks. The FDIC also is proposing some revisions in its overall assessment rates. It expects the changes would result in higher insurance premiums for some larger banks, and lower premiums for most other banks.

If the FDIC makes the proposal a final rule, the changes would take effect on January 1, 2011.

If you would like additional information on the FDIC’s proposed rules on the TAG program and on changes in deposit insurance assessment, do not hesitate to contact us at (305) 373-5500.

Sincerely,



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com

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FINANCIAL INSTITUTIONS SERVICES ADVISORY

Our Financial Institutions Team:

Audit/Accounting/Compliance



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com



Yvette Garcia, CPA
ygarcia@mbafcpa.com

Tax



Emilio Escandon, CPA
eescandon@mbafcpa.com



Raul Incera, CPA
rincera@mbafcpa.com

Computer Assurance



Trevor Foo, CISA, CISM
tfoo@mbafcpa.com