Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 327

RIN 3064-AB65

Assessments

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is proposing to amend its regulation on assessments in three ways. First, the FDIC proposes to delay the collection date for the first quarterly assessment payment that insured institutions must make for the first semiannual period of each year (first payment). Under the existing regulation, the collection date for this payment is December 30 of the prior year. The FDIC proposes to change the collection date to the first business day following January 1. Second, the FDIC proposes to give insured institutions the option of prepaying the first quarterly payment during the prior December. Institutions could prepay the amount of the first payment or twice that amount (an approximation of the entire amount due for the upcoming semiannual period). The FDIC's purpose in making these first two changes is to relieve certain institutions of the regulatory burden of having to make an extra assessment payment in 1995, while at the same time affording flexibility to other institutions to make such a payment if they should so desire. Third, the FDIC proposes to replace the interest rate to be applied to underpayments and overpayments of assessments with a new, more sensitive rate derived from the 3-month Treasury bill discount rate. The current standard rapidly becomes obsolete in volatile interest-rate markets; the proposed standard would be more sensitive to current market conditions.

DATES: Written comments must be received by the FDIC on or before September 11, 1995.

ADDRESSES: Written comments shall be addressed to Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, D.C. 20429. Comments may be hand delivered to Room F-402, 1776 F Street NW., Washington, D.C. 20429, on business days between 8:30 a.m. and 5:00 p.m. [Fax number: (202)898-3838; Internet address: comments@fdic.gov] Comments will be available for inspection at the FDIC's Reading Room, Room 7118, 550 17th Street NW., Washington, D.C., between 9:00 a.m. and 4:30 p.m. on business days.

FOR FURTHER INFORMATION CONTACT:

Allan Long, Assistant Director, Treasury Branch, Division of Finance (703) 516– 5546; Claude A. Rollin, Senior Counsel, Legal Division (202) 898–3985; or Jules Bernard, Counsel, Legal Division, (202) 898–3731; Federal Deposit Insurance Corporation, Washington, D. C. 20429.

SUPPLEMENTARY INFORMATION:

A. Background

1. The Payment Schedule

On December 20, 1994, the FDIC adopted a new procedure for the collection of deposit insurance assessments. See 59 FR 67153 (December 29, 1994). The new procedure became effective April 1, 1995. It applies to the second semiannual assessment period of 1995 (beginning July 1, 1995) and thereafter.

The FDIC collects assessment payments on a quarterly basis, by means of FDIC-originated direct debits through the Automated Clearing House network. The collection dates for the first semiannual period (January through June) of any given year are December 30 of the prior year and March 30 of the current year. The collection dates for the second semiannual period (July through December) are June 30 and September 30.

Thirty days prior to each collection date, the FDIC provides to each institution an invoice showing the amount that the institution must pay. The FDIC prepares the invoice from data that the institution has reported in its report of condition for the previous quarter.

Under this schedule, the first quarterly payment for the first semiannual period of a given year is collected during the prior year. The procedure is as follows: The institution determines its deposits on September 30 of the prior year, uses the information to prepare its report of condition, and files the report of condition by October 30. The FDIC uses the report of condition to prepare an invoice for the institution, and provides the invoice to the institution by November 30. The FDIC collects the payment by a direct debit on December 30. If December 30 falls on a weekend or holiday, the FDIC collects the payment on the previous business day.

Before adopting the new quarterly-collection procedure, the FDIC issued it as a proposed rule, and asked for public comment. 59 FR 29965 (June 10, 1994). The FDIC received 51 comment letters.

Two respondents pointed out that the FDIC's payment schedule would result in an anomaly in 1995. Institutions would pay their full semiannual assessment for the first semiannual period in 1995 in January, in accordance with the assessment regulations then in effect. Institutions would also pay both quarterly payments for the second semiannual period in 1995 (one at the end of June; the other at the end of September). Then they would make one further payment in 1995: the first payment for 1996. In effect, they would pay assessments for 5 quarters in 1995.

These commenters asked the FDIC to move the collection date for the first payment for 1996 from December 30, 1995, to January, 1996. In response, the FDIC looked into the issue further.

As a result of its inquiry, the FDIC determined that relatively few institutions would be adversely affected, and decided to retain the December collection date. The FDIC recognized that a December 1995 collection date could present a one-time problem for some institutions. But the FDIC concluded that this situation was a byproduct of the shift from a semiannual to a quarterly collection procedure, and would not involve an "extra" assessment payment. 59 FR 67157. The FDIC further observed that this timing issue would adversely affect only institutions that use cash-basis accounting. Finally, the FDIC pointed out that the commenters' recommended solution—moving the December collection date to January—would not cure the problem if adopted only for a single year: the problem would recur in