D. Assessment of the Reporting or Recordkeeping Requirements

1. The Payment Schedule

The FDIC considers that the proposed rule's reporting or recordkeeping requirements would be minimal. The proposed rule does not compel any institution to create or maintain new records. It merely delays the collection date for the first payment of each year, without changing the procedures that institutions must follow in order to make that payment.

Some institutions may take a different view, however. They may consider that they have already taken all the steps necessary to make a December payment, and yet must now do something more—namely, file the certification—in order to make that payment.

The FDIC believes, however, that the burden of the one-time filing would be so small as to be immaterial. The proposed rule would not require the institution to retain the form, or to file a new certification each year, or to keep any other new records.

2. Interest on Underpaid and Overpaid Assessments

The changes in the interest rate would have no effect on the reporting or recordkeeping requirements of insured institutions.

E. Effect on Competition

The proposed regulation is not expected to have any effect on competition among insured depository institutions.

F. Relationship of the Proposed Regulation to Other Government Regulations

The proposed regulation is not expected to have any impact on other government regulations.

G. Cost-Benefit Analysis

1. The Payment Schedule

The FDIC believes that the proposed regulation would not impose any new costs on non-electing institutions. On the contrary, it would benefit them by allowing them to retain the use of their funds for an extra interval. The proposal would provide a special benefit to cashbasis institutions by eliminating an expense they would otherwise have sustained in 1995.

In the case of electing institutions, the proposed regulation would also provide significant benefits. The FDIC believes that institutions will elect to prepay their first payments only if doing so is advantageous to them. The proposed rule would allow all institutions to earn extra interest: Accordingly, at a

minimum, an institution would have to expect to derive an even greater benefit from electing the prepayment option. On the other hand, the only costs incurred by electing institutions are the costs of signing and submitting the certification. The FDIC considers that those costs are not likely to be significant.

2. Interest on Underpaid and Overpaid Assessments

The change from the TFRM rate to the proposed new rate would likewise impose minimal costs on institutions. The net amount at issue would not be material in the aggregate. For any particular institution, the net effect of the change would be impossible to predict, because the relationship between the TFRM rate and the proposed rate varies from one interval to another.

Accordingly, the FDIC believes that the benefits of the proposed rule would likely outweigh any costs it might impose.

H. Other Approaches Considered

- 1. Retaining the Status Quo
- a. The Payment Schedule

In developing the proposal, the FDIC has considered whether it would be advisable to retain the current schedule without change.

As noted above, however, the FDIC recognizes that it is responsible for establishing the December 1995 collection date. The FDIC further recognizes that requiring institutions to make a payment on that date could adversely affect institutions that keep their financial records and make their financial reports on a cash basis. The FDIC believes that, if it can mitigate harm of this kind by modifying its regulations, it should make every effort to do so.

b. Interest on Underpaid and Overpaid Assessments

The FDIC also considered whether it would be desirable to retain the TFRM rate without change. The FDIC believed, however, that the rigidities and delays inherent in the TFRM rate militated against retaining this interest-rate standard.

2. Alternative Proposal

a. The Payment Schedule

The FDIC has also considered an alternative proposal: retaining the current payment schedule, while giving cash-basis institutions the option of electing to defer their first payment until January.

The alternative proposal would have focused narrowly on the one-time disadvantage that cash-basis institutions would suffer in 1995, and would have aimed at protecting those institutions against that disadvantage. Accordingly, the FDIC would not have offered the deferred-payment option to non-cash-basis institutions, and would not have offered the option to cash-basis institutions after 1995.

Institutions that exercised the option by November 1, 1995, would have made their first payment for 1996 on the first business day following January 1, 1996, and would have continued thereafter to make the first payment on the first business day of the year. Institutions that failed to exercise the option by November 1, 1995, would have had to make all their payments according to the regular payment schedule.

After an institution had made the election, the institution could have terminated the election—thereby reverting to the regular payment schedule—by so certifying to the FDIC in writing. For the termination to be effective for a given year, the institution would have had to provide the certification to that effect to the FDIC no later than November 1 of the prior year. The termination would have been permanent. The FDIC would not have charged interest on the delayed payments.

The FDIC has chosen to issue the proposed rule, rather than the alternative proposal, for two reasons. First, the FDIC expects that the approach set forth in the proposed rule would be more evenhanded: all institutions would have the benefit of the later collection date, and all would have an equal opportunity to earn additional interest on their funds. Second, the proposed rule would provide greater flexibility to all institutions to plan the timing of their expenses.

b. Interest on Underpaid and Overpaid Assessments

The FDIC also considered proposing to replace the single TFRM rate with a pair of rates: namely, the composite yield at market of the BIF and SAIF portfolios, respectively. These rates would have been determined retrospectively, because they are generated by looking at the interest that the portfolios actually earned. For the second quarter of 1995, the rates would have been 5.70% for the BIF and 5.61% for the SAIF.

The FDIC would have proposed the "composite yield at market" rate on the theory that such a rate would represent the FDIC's actual benefits (or costs) from