A doubled payment represents an approximation of the amount due for two quarterly payments. The approximation is not intended to be exact. Growing institutions will ordinarily owe an additional amount on the next quarterly payment date; shrinking institutions will ordinarily receive a credit.

Doubled payments are not regarded as "overpayments." The FDIC will not pay interest on the extra amount so paid.

The final rule differs from the proposed rule in that the procedure for electing the doubled-payment option is split off from the procedure for electing the alternate payment date. But the two procedures are substantially alike.

An institution that wishes to pay a doubled amount must file a certification to that effect prior to the relevant regular payment date. For the first payment, the certification must be filed by the preceding November 1 (the same date as that for filing the certification for the alternate payment date). For the other quarterly payments, the certification must be filed by the first day of the month prior to the relevant regular payment date: i.e., February 1, May 1, August 1, and November 1, respectively. The doubled-payment election is effective with respect to the payment made on the relevant payment date and to all payment dates thereafter, until terminated.

The institution must complete a preprinted form supplied by the FDIC to make the certification. The form will be available from the FDIC's Division of Finance. The institution's chief financial officer, or an officer designated by the institution's board of directors, must sign the form. An electing institution must certify that it will pay the doubled amount on the relevant payment date.

An institution may terminate its election of the doubled-payment option by certifying that it is terminating the election as of a particular payment date. The institution must use a pre-printed form supplied by the FDIC to make the certification, and must file the form by the prior February 1, May 1, August 1, or November 1, as appropriate. The institution will then pay the regular amount on the relevant payment date and thereafter.

An institution that terminates the doubled-payment election may make a new election at any time. The new election is subject to the same deadline.

3. Interest on Underpaid and Overpaid Assessments

The FDIC is replacing the interest rate that is applied to underpaid assessments and overpaid assessments. The previous rate was the TFRM rate (which is now 5.00% per annum), which is compounded annually. The FDIC is replacing this rate with a more market-sensitive rate: the coupon equivalent rate set on the 3-month Treasury bill at the last auction held by the U.S. Treasury Department before the start of each quarter. Interest will be compounded as of the first day of each subsequent quarter. Currently, this rate is 5.51% per annum (see below). The final rule adopts the rule as proposed in this regard.

Interest begins to run on the day after the regular payment date and continues to run through the day on which the debt is paid. 12 CFR 327.7(a)(3). The final rule changes the regular payment date for the first payment for 1996 to January 2. Accordingly, interest on any overpayments or underpayments due on that date will begin to run on January 3 (even if an institution has elected the alternate payment date).

The next payment date is March 29 (March 30 being a Saturday). The FDIC will ordinarily collect or repay the full amount of the January overpayment or underpayment (plus interest) on that date by adjusting the payment then due. Accordingly, interest on the January overpayment or underpayment will run through March 29.

The initial interest rate is the rate for the quarter for which (but not generally in which) the payment will be made. The payment date for the first quarter of 1996 is January 2, which falls within that quarter. But the payment dates for the second, third, and fourth calendar quarters are March 30, June 30, and September 30, respectively (and if the regular payment date falls on a weekend or holiday, the payment date is the preceding business day). Each of these payment dates falls in the quarter preceding the quarter for which the payment is due. Nevertheless, the initial interest rates on any underpayments or overpayments of payments due on these dates are the rates for the second, third, and fourth quarters, respectively.

The final rule differs slightly from the proposed rule in setting the interval during which the appropriate interest rate will be applied. The proposed rule reset the rate at the end of each calendar quarter, thereby introducing needless complexity, especially when the payment date came after the end of the calendar quarter. The final rule uses the quarterly-collection cycle to set the structure for resetting the rate. The FDIC is making this change in order to simplify and clarify the interest-rate procedure.

¹ Under the final rule, the initial interest rate on an overpayment or

underpayment applies to the amount in question beginning on the day after the regular payment date (but not the alternate payment date) and ending on the next regular payment date (but not the alternate payment date). The FDIC resets the rate on the day following that next regular payment date. If any portion of the overpayment or underpayment (including interest) remains outstanding at that time, the FDIC applies the new rate to the outstanding amount through the following regular payment date (or until the overpayment or underpayment is discharged, whichever comes first).

If the rate had been in effect for the third quarter in 1995, the FDIC would have computed interest on an overpayment or underpayment of an amount due for that quarter as follows:

The FDIC would have based the rate on the average rate for the 3-month Treasury bill set at the June 26, 1995, auction (settling on June 29, 1995). On a bank discount rate basis (360-day year with no compounding), the auction resulted in a 5.35% average rate. This converts to a coupon equivalent rate of 5.51% according to the United States Treasury Department.

June 30 is the payment date. On the following day (July 1) the FDIC would have begun to apply the 5.51% rate to overpayments or underpayments collected on June 30. The outstanding amount would ordinarily be repaid on the next collection day, which falls on September 29 (September 30 being a Saturday).

A \$1 million overpayment collected on June 30 and refunded on September 29 would have generated 91 days of interest: (91/366) X .0551 X \$1,000,000 = \$13,699.73.³

The FDIC is adopting the three-month Treasury rate because it is a published rate that more closely (but not necessarily exactly) approximates the market value of funds both for the institution and for the FDIC. If an institution overpays its assessment, the FDIC will return to the institution the benefit that the institution would have been able to obtain by investing the excess amount. Conversely, if an institution underpays its assessment, the institution will have to restore to its fund-the Bank Insurance Fund (BIF) or the Savings Association Insurance Fund (SAIF)-the economic value of the interest that the fund would otherwise have earned.

The FDIC will apply the new rate (and the quarterly compounding) prospectively, not retroactively. The FDIC will apply the new rate to quarterly payments due for the first quarter of 1996 and thereafter, and to

³ The third calendar quarter in 1995 falls within the leap-year cycle that begins on March 1, 1995, and ends on February 29, 1996.