### F. Effect on Competition

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

# G. Relationship of the Regulation to Other Government Regulations

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

- H. Cost-Benefit Analysis
- 1. Payment Dates for First Payments
- a. The Regular Payment Date

The FDIC believes that the January payment date will not impose any new costs on institutions. On the contrary, it will benefit them by allowing them to retain the use of their funds for an extra interval. The final rule will provide a special benefit to cash-basis institutions by eliminating an expense they will otherwise have sustained in 1995.

### b. The Alternate Payment Date

The alternate payment date will provide significant benefits. The FDIC believes that institutions will elect the alternate payment date only if doing so is advantageous to them. 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 material.

### 2. Doubled Payments

In the same vein, institutions will elect the doubled-payment option only if doing so will provide a significant benefit to them. The only costs incurred by electing institutions are the costs of signing and submitting the certification, which are not likely to be material.

## 3. Interest on Underpaid and Overpaid Assessments

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

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

### 4. The Assessment-Schedule Notice

The change in the assessmentschedule notice does not impose any direct costs on insured institutions. Indirectly, the change is expected to provide a benefit to them, by reducing the likelihood of errors in the assessment process.

- I. Other Approaches Considered
- 1. Retaining the Status Quo
- a. The Payment Schedule

The FDIC considered retaining the current schedule without change. As noted above, however, the FDIC recognizes that it was responsible for establishing the original December 1995 payment date. The FDIC further recognizes that cash-basis institutions—ones that keep their financial records and make their financial reports on a cash basis—might be adversely affected if they were required to make a payment on that date. 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 retaining the TFRM rate without change. The FDIC believed, however, that the rigidities and delays inherent in the TFRM rate militate against retaining this interest-rate standard.

- 2. Alternative Proposal
- a. The Payment Schedule

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

This alternative proposal focused narrowly on the one-time disadvantage that cash-basis institutions will suffer in 1995, and aimed at protecting those institutions against that disadvantage. Accordingly, the alternative proposal did not offer the deferred-payment option to non-cash-basis institutions, and did not offer the option to any institutions after 1995.

Under the alternative proposal, 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 final rule, rather than the alternative proposal, for two reasons. The approach set forth in the final rule is more evenhanded: all institutions will have the benefit of the later payment date, and all will have an equal opportunity to earn additional interest on their funds. The final rule also provides greater flexibility to all institutions to plan the timing of their expenses.

### b. Interest on Underpaid and Overpaid Assessments

The FDIC also considered replacing 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 adopted the "composite yield at market" rate on the theory that such a rate would represent the FDIC's actual benefits (or costs) from the overcollection (or undercollection) of assessments. If an institution overpaid its assessment, the FDIC would have returned to the institution the full benefit that the FDIC had received from the overpayment. Conversely, if an institution underpaid its assessment, the institution would have restored to its fund the economic value of the interest the fund will otherwise have earned, making the fund whole.

The FDIC has adopted the new rate, rather than the "composite yield at market" rate, for two reasons. First, the new rate is based on a published rate, not on proprietary information, and is easier for people in the private sector to determine. Second, the new rate is intended to approximate the market value of the funds—that is, the interest that an institution earned or may have earned by investing the funds—rather than the vagaries of the investment portfolios of the BIF and the SAIF.

- J. Effective Dates
- 1. Payment Dates for First Payments
- a. The Regular Payment Date

The FDIC is making the change in the payment date for the first payment effective upon publication in the Federal Register. The Board of Directors