

members to maintain the reserve ratio at the DRR; and

Whereas, section 7(b) further requires that, in setting BIF semiannual assessments, the Board consider the following factors: (1) expected operating expenses; (2) case resolution expenditures and income; (3) the effect of assessments on members' earnings and capital; and (4) any other factors the Board may deem appropriate; and

Whereas, Part 327 of the FDIC's rules and regulations, 12 CFR Part 327, entitled "Assessments," prescribes the rules governing the assessment of institutions insured by the FDIC; and

Whereas, on August 8, 1995, the Board adopted, by regulation, a rate schedule for deposits assessable by BIF of 4 to 31 basis points, set forth as Rate Schedule 2 at section 327.9(a) of the FDIC's rules and regulations, to become effective at the beginning of the month after BIF reached the DRR; and

Whereas, said rate schedule became effective on June 1, 1995, and continues in effect for the second semiannual assessment period of 1995; and

Whereas, section 327.9(b) of the FDIC's rules and regulations, also adopted by the Board on August 8, 1995, permits the Board, by resolution, to adjust said rate schedule upward or downward by a maximum of 5 basis points, as the Board deems necessary to maintain the reserve ratio at the DRR; and

Whereas, section 327.9(b) requires that any such adjustment shall be

determined by (1) the amount of assessment revenue necessary to maintain the BIF reserve ratio at the DRR, and (2) the assessment schedule that would generate that amount of revenue considering the risk profile of BIF members; and

Whereas, in determining that amount of revenue, the Board is required to take into consideration (1) expected BIF operating expenses, (2) case resolution expenditures and income, (3) the effect of assessments on BIF members' earnings and capital, and (4) any other factors the Board may deem appropriate; and

Whereas, the BIF's operating expenses and insurance losses have been lower than anticipated and are projected to remain low in the near term due to the strong economy and high capital levels in the banking industry; and

Whereas, the BIF reserve ratio currently exceeds the target DRR and, absent unexpectedly large insurance losses or deposit growth, is expected to remain above the DRR for the first semiannual period of 1996 and beyond if the current rate schedule remains in effect without adjustment; and

Whereas, reducing BIF assessment rates is likely to have a favorable impact on earnings and capital of insured institutions having deposits insured by the BIF; and

Whereas, the Board has therefore determined that a downward adjustment to the current rate schedule

is necessary to comply with the statutory requirements for setting assessments, including the requirement that the FDIC maintain the BIF reserve ratio at the DRR; and

Whereas, in determining the amount of the downward adjustment, the Board has considered the factors specified in section 327.9(b), as reflected in the attached Federal Register notice document.

Now, therefore, be it resolved, that the Board does hereby adjust, for the semiannual period beginning January 1, 1996, through June 30, 1996, BIF rate schedule based on Rate Schedule 2 at section 327.9(a) of the FDIC's rules and regulations by a reduction of 4 basis points to be applied uniformly across the schedule to each assessment risk classification represented in the schedule.

Be it further resolved, that the Board hereby directs the Executive Secretary, or his designee, to cause the aforementioned Federal Register notice document to be published in the Federal Register in a form and manner satisfactory to the Executive Secretary, or his designee, and the General Counsel, or his designee.

By order of the Board of Directors.

Dated at Washington, D.C., this 14th day of November, 1995.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

*Deputy Executive Secretary.*

TABLE 1.—BIF ASSESSMENT RATES FACTORS TO BE CONSIDERED FIRST SEMIANNUAL ASSESSMENT PERIOD, 1996

	Current rate schedule of 4 to 31 basis points	Adjusted rate schedule of 0 to 27 basis points
BIF Ratio at December 31, 1995 <sup>1</sup> (Percent) .....	1.31 to 1.34 .....	1.31 to 1.34.
Expected Income (\$Millions) .....	1,171 .....	677.
Assessment Income (\$Millions) .....	546 .....	52.
Interest Income (\$Millions) .....	625 .....	620.
Expected Insurance Losses and Change in Provisions for Future Losses (\$Millions) <sup>2</sup> .....	-100 to +600 ..	-100 to +600.
Expected Operating Expenses (\$Millions) .....	215 .....	215.
Estimated BIF-Insured Deposits at June 30 <sup>3</sup> (\$Billions) .....	1,877 to 2,032 ..	1,877 to 2,032.
BIF Ratio at June 30, 1996 <sup>4</sup> (Percent) .....	1.28 to 1.40 .....	1.25 to 1.37.

<sup>1</sup> Range reflects annual insured growth rate of +2 percent versus -2 percent for second half of 1995.

<sup>2</sup> Range based on FDIC experience, as reviewed in Federal Register notice of August 16, 1995, 60 FR 42680.

<sup>3</sup> Lower bound assumes annual growth of insured deposits of -2 percent for second half of 1995 and first half of 1996. Upper bound assumes annual growth of 6 percent for these same four quarters. Range based on quarterly volatility evidence from 1984:Q2 to 1995:Q1.

<sup>4</sup> Reflects ranges for all preceding items in Table 1.