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M E M O R A N D U M

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To Our Clients and Friends

Re: FDIC Proposes Deposit Account Recordkeeping Requirements

The Federal Deposit Insurance Corporation (“FDIC”) has proposed deposit account recordkeeping requirements for depository institutions with more than two million deposit accounts in order to facilitate prompt payment of insured deposits in the event of a depository institution’s failure. Comments are due by May 26th.

The FDIC estimates that 36 depository institutions are covered by the proposal. The proposed rule requires covered institutions to assign a unique identifier to each account holder of a deposit, owner (if the owner is not the account holder), or beneficiary (if the deposit is held in trust). The depository institution must then assign a code indicating the account ownership right and capacity from a list of FDIC established codes. The institution’s information technology system is required to be capable of calculating the deposit insurance coverage for each owner in a data format and layout specified by the FDIC. The format includes the account holder or owner’s name, balance in each account, aggregate balance in all accounts maintained by the account holder or owner in the same right and capacity, and amount insured and uninsured. The institution’s information technology system must also be capable of restricting access to all of the funds in a deposit account until the FDIC, has made the deposit insurance coverage determination for that account. All information on each depositor’s ownership interest by right and capacity must be maintained on-site at the institution.

The FDIC states it will perform initial and annual tests for compliance with the rule. Additionally, institutions must certify annually that they have implemented and successfully tested their information technology systems for compliance. They will also be required to submit a report summarizing (1) the number of depositors; (2) the number of deposit accounts; (3) dollar amount of deposits by ownership right and capacity; (4) total number and amount of fully-insured accounts; and (5) total number and amount of uninsured accounts.

Institutions will be required to implement the requirements within two years. The proposal provides for certain limited exceptions and extensions of time for compliance.

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A copy of the proposed rule is available on our website at
<http://www.schwartzandballen.com/news.html>

If you have any questions, please call Gilbert Schwartz, Robert Ballen, Tom Fox, or Heidi Wicker at (202) 776-0700.