FREQUENTLY ASKED QUESTIONS REGARDING THE EXPIRATION OF THE TEMPORARY UNLIMITED COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS
Updated as of November 9, 2012

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts (NIBTAs) at all FDIC-insured depository institutions (IDIs) from December 31, 2010 through December 31, 2012 (the Dodd-Frank Deposit Insurance Provision). In anticipation of the expiration of the Dodd-Frank Deposit Insurance Provision, the FDIC issued Financial Institution Letter FIL-45-2012 to provide related direction and guidance to IDIs.

Below are frequently asked questions and answers concerning the expiration of the Dodd-Frank Deposit Insurance Provision.

1. When the Dodd-Frank Deposit Insurance Provision expires, how will noninterest-bearing transaction accounts be insured by the FDIC? What will be the impact on deposit insurance coverage on other types of accounts?

Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from depositors' other accounts at the same IDI. Instead, noninterest-bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount (SMDIA) of $250,000, per depositor, at each separately chartered IDI.

For example, if after the expiration of the Dodd-Frank Deposit Insurance Provision a depositor under the single ownership category has $500,000 deposited in a noninterest-bearing transaction account and $250,000 deposited in a certificate of deposit, or total deposits of $750,000, the depositor would be insured for up to $250,000 and uninsured for the remaining balance of $500,000.

Depositors should be made aware that Section 335 of the Dodd-Frank Act permanently increases the SMDIA to $250,000.

2. How will the expiration of the Dodd-Frank Deposit Insurance Provision affect deposit insurance coverage for Interest on Lawyer Trust Accounts (IOLTAs)?

After December 31, 2012, funds deposited in IOLTAs will no longer be insured under the Dodd-Frank Deposit Insurance Provision. However, because IOLTAs are fiduciary accounts, they generally qualify for pass-through coverage on a per-client basis. FDIC regulations provide that deposit accounts owned by one party but held in a fiduciary capacity by another party are eligible for pass-through deposit insurance coverage if (1) the deposit account records generally indicate the account's custodial or fiduciary nature and (2) the details of the relationship and the interests of other parties in the account are ascertainable from the deposit account records or from records maintained in good faith and in the regular course of business by the depositor or by some person or entity that maintains such records for the depositor.

If an IOLTA does qualify for pass-through coverage as a fiduciary account, then each separate client for whom a law firm holds funds in an IOLTA may be insured up to $250,000 for his or her funds.

For example, if a law firm maintains an IOLTA with $250,000 attributable to Client A, $150,000 to Client B, and $75,000 to Client C, the account would be fully insured if the IOLTA meets the requirements for pass-through coverage. If the clients have other funds at the same IDI, those funds would be added to their respective shares of the funds in the IOLTA for insurance coverage purposes.

3. **How will the expiration of the Dodd-Frank Deposit Insurance Provision affect deposit insurance coverage for official checks?**

Official checks, such as cashier's checks and money orders issued by IDIs, are "deposits" as defined under the FDI Act (12 U.S.C. §1831(l)) and Part 330 of the FDIC's regulations. The payee of the official check (the party to whom the check is payable) or, if applicable, the party to whom the payee has negotiated the official check, is the insured party. Since official checks meet the definition of a noninterest-bearing transaction account, under the Dodd-Frank Deposit Insurance Provision the payee (or the party to whom the payee has endorsed the check) is insured by the FDIC for the full amount of the check through December 31, 2012. However, after the expiration of the Dodd-Frank Deposit Insurance Provision, if an issuing IDI were to fail, the balance of any official checks will be added to the amount of any other deposits the payee holds in the same ownership category at the issuing IDI, and the aggregate balance insured up the payee's applicable deposit insurance limit.

4. **How will the expiration of the Dodd-Frank Deposit Insurance Provision affect the obligation of IDIs to pledge collateral for accounts held by government/public fund depositors?**

The requirement that collateral be pledged to secure government/public deposits at IDIs is imposed by state law and not by the FDIC; there is no provision in the FDIC regulations requiring collateralization of government/public fund deposits. However, to the extent that applicable state law requires IDIs to pledge collateral for uninsured deposits held by government/public fund depositors, after December 31, 2012, IDIs should be prepared to set aside sufficient collateral to secure the accounts of its government/public depositors whose deposits exceed $250,000. Further questions about this matter should be directed to the responsible state regulator or state department of banking.

5. **After the expiration of the Dodd-Frank Deposit Insurance Provision, will IDIs have any remaining obligation under 12 C.F.R. § 330.16(c)(3) to notify customers if the IDI "uses sweep arrangements, modifies the terms of an account, or takes other actions that result in funds no longer being eligible for full coverage" under the Dodd-Frank Deposit Insurance Provision?**

Notices pursuant to 12 C.F.R. § 330.16(c)(3) will no longer be required after December 31, 2012, since the Dodd-Frank Deposit Insurance Provision will no longer be in effect and noninterest-bearing transaction accounts will no longer be eligible for unlimited deposit insurance coverage, but will be subject to the same insurance limits as interest-bearing deposit accounts. Since there will be no distinction for deposit insurance coverage between noninterest-bearing transaction accounts and interest-bearing accounts, there will be no need for the notice required under 12 C.F.R. § 330.16(c)(3).

6. **After December 31, 2012, what should IDIs do with the notices (Dodd-Frank Notices) required by the Dodd-Frank Deposit Insurance Provision to be posted in the lobby of the IDI's main office, in each domestic branch and, if it offers Internet deposit services, on its Web site?**

With the expiration of the Dodd-Frank Deposit Insurance Provision, the Dodd-Frank Notices are no longer required. As stated in FIL-45-2012, IDIs should remove all Dodd-Frank Notices from their main offices, domestic branches, and Web sites . The FDIC suggests that IDIs should remove all Dodd-Frank Notices from their main office, branches and Web sites by January 2, 2013. If removal of all Dodd-Frank Notices by January 2, 2013 is not possible, then the FDIC expects IDIs to remove the Dodd-Frank Notices as soon as practicable.

7. How are depositors going to be notified about the expiration of the Dodd-Frank Deposit Insurance Provision? Are IDIs required to replace the Dodd-Frank Notice with notice of the expiration of the Dodd-Frank Deposit Insurance Provision?

The Dodd-Frank Act imposes no specific notice requirements on IDIs in connection with the expiration of the Dodd-Frank Deposit Insurance Provision. However, in FIL-45-2012, the FDIC encourages IDIs to remind their NIBTA depositors about the pending expiration of the temporary unlimited coverage for NIBTAs and the impact that expiration will have on their deposit insurance coverage. IDIs may use any reasonable method of providing reminders to depositors, such as individual written notices to each NIBTA depositor or notices on regular account statements. IDIs may use electronic mail for depositors who ordinarily receive account information in this manner.

Below is language for such a notice to NIBTA depositors:

> **NOTICE OF EXPIRATION OF THE TEMPORARY FULL FDIC INSURANCE COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS**
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> By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category.
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> For more information about FDIC insurance coverage of noninterest-bearing transaction accounts, visit **http://www.fdic.gov/deposit/deposits/unlimited/expiration.html**

Institutions placing notices on regular account statements with space limitations may wish to utilize a shorter notice to NIBTA depositors, such as:

> **NOTICE:** By federal law, as of 1/1/2013, funds in a noninterest-bearing transaction account (including an IOLTA/IOLA) will no longer receive unlimited deposit insurance coverage, but will be FDIC-insured to the legal maximum of $250,000 for each ownership category. For more information visit
> **http://www.fdic.gov/deposit/deposits/unlimited/expiration.html**

Please Note: If an IDI cannot use the above Web link in its depositor notices due to spacing or other issues, the IDI can use the following:

> For more information about FDIC insurance coverage of noninterest-bearing transaction accounts, visit **"What's New" on www.fdic.gov.**

8. When should notice of the expiration of the Dodd-Frank Deposit Insurance Provision be provided to NIBTA depositors?

The FDIC encourages IDIs to be proactive in reminding NIBTA depositors of the scheduled expiration. Reminders should be provided to NIBTA depositors sufficiently in advance of the insurance coverage change so depositors have adequate time to consider the impact of any change in coverage in their management of these transaction accounts.

9. What other steps should IDIs take to ensure that information provided to depositors accurately reflects the change in deposit insurance coverage for NIBTAs beginning January 1, 2013?

To ensure that NIBTA account agreements and disclosure statements provided to new IDI depositors accurately reflect the change in coverage as of January 1, 2013, IDIs should review all of their account agreements and disclosure statements used in connection with NIBTA deposits to ensure that these documents accurately reflect FDIC insurance coverage for these accounts as of January 1, 2013. IDIs should complete this review and make necessary adjustments to NIBTA account documentation promptly upon expiration of the Dodd-Frank Deposit Insurance Provision.

For more information, visit www.fdic.gov or call the FDIC toll free at 1-877-275-3342.