FDIC
Federal Deposit Insurance Corporation
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Division of Insurance and Research

November 2, 2010

MEMORANDUM TO: The Board of Directors

FROM: Arthur J. Murton
Director
Division of Insurance and Research

Bret D. Edwards
for Director
Division of Finance

SUBJECT: Proposal to Adopt a Notice of Proposed Rulemaking on the Implementation of the New Deposit Insurance Assessment Base

SUMMARY AND RECOMMENDATIONS

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires the FDIC to amend its regulations to redefine the assessment base used for calculating deposit insurance assessments. Specifically, the Dodd-Frank Act directs the FDIC:

> [T]o define the term 'assessment base' with respect to an insured depository institution … as an amount equal to
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> (1) the average consolidated total assets of the insured depository institution during the assessment period; minus
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> (2) the sum of –
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> (A) the average tangible equity of the insured depository institution during the assessment period; and
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> (B) in the case of an insured depository institution that is a custodial bank (as defined by the Corporation, based on factors including the percentage of total revenues generated by custodial businesses and the level of assets under custody) or a banker's bank (as that term is used in … (12 U.S.C. 24)), an amount that the Corporation determines is necessary to establish

Concur:
Richard J. Osterman, Jr.
Acting General Counsel

> assessments consistent with the definition under ... the Federal Deposit Insurance Act for a custodial bank or a banker's bank.

Although the Dodd-Frank Act requires the FDIC to use average consolidated assets and average tangible equity to calculate a new assessment base for insured depository institutions (IDIs), the Act does not define these terms. To implement this requirement, therefore, the FDIC must establish the appropriate methodology for calculating "average consolidated total assets" and "average tangible equity," determine the basis for reporting consolidated total assets and tangible equity, and define "tangible equity." Staff reviewed a number of methodologies for calculating the new assessment base and is proposing what it believes will serve the needs of the deposit insurance assessment system while requiring IDIs to submit a minimum amount of additional information on their Consolidated Reports of Condition and Income (Call Report) and Thrift Financial Report (TFR).

Additionally, FDIC staff analyzed the special cases of banker's banks and custodial banks to determine whether an adjustment should be made to their assessment bases and, if so, what a reasonable adjustment would be. Staff has determined that these IDIs perform unique services for other IDIs and financial institutions and some assets are held on their balance sheets solely as a result of their unique business models. Consequently, staff is proposing that an adjustment should be made for those IDIs that qualify as either banker's banks or custodial banks.

The current assessment rate schedule incorporates adjustments for types of funding that either pose heightened risk to the Deposit Insurance Fund (DIF) or that help to offset risk to the DIF. Because the magnitude of these adjustments is calibrated to a domestic deposit assessment base, staff is proposing to recalibrate the unsecured debt and brokered deposit adjustments, add a depository institution debt adjustment to discourage IDIs from holding the long-term unsecured debt issued by other IDIs, and eliminate the secured liability adjustment. Staff believes these proposed changes will encourage the types of funding that would pose less risk to the DIF.

Finally, staff is proposing new rate schedules scaled to the increase in the assessment base, including schedules that would go into effect when the reserve ratio reaches 1.15 percent, 2.00 percent, and 2.50 percent as proposed in the Notice of Proposed Rulemaking on Assessment Rates, Dividends and the Designated Reserve Ratio (October NPR), which is currently out for comment.[1] The new rate schedules are projected to be approximately revenue neutral, that is, staff projects that the assessment revenue collected under the proposed rate schedules will approximately equal the amount of revenue projected to be collected under the October NPR. The proposed rate schedules were developed in conjunction with the proposal to revise the assessment system applicable to large institutions, which staff is recommending be published

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[1] See Notice of Proposed Rulemaking on Assessment Rates, Dividends and the Designated Reserve Ratio.

simultaneously with this NPR, and the proposed rate schedules assume assessments will be collected from large institutions according to the pricing model in that proposal.[2]

Staff has considered the possibility of making the application of the new assessment base, the revised assessment rates, and the changes to the assessment rate adjustments retroactive to passage of the Dodd-Frank Act. However, implementation of the Act requires a number of changes be made to the Call Report and TFR that render such possibility operationally infeasible. Additionally, staff believes that attempting to make these statutory changes retroactively applicable would introduce significant legal complexity and introduce unacceptable levels of litigation risk.

Staff is, therefore, proposing that the first of the proposed rate schedules be implemented in the second quarter of 2011 along with the new assessment base calculation. That schedule would reduce the initial base assessment rate (IBAR) in each of the four risk-based pricing categories. For small Risk Category I institutions, a spread of 4 basis points in the IBAR would be maintained, with proposed rates ranging from 5 to 9 basis points. The proposed rates for small institutions in Risk Categories II, III, and IV are 14 basis points, 23 basis points and 35 basis points, respectively. For large institutions, the proposed rate schedule ranges from 5 to 35 basis points. Staff recognizes that some IDIs may alter their funding structures or business strategies in response to the proposed changes in the assessment base, assessment rate adjustments, and the assessment rate schedule. While some changes can be anticipated, they cannot be accurately predicted. For these reasons, staff is recommending adoption of assessment rate schedules that are approximately revenue neutral; staff believes that such schedules probably err on the side of collecting more revenue rather than less as compared to the proposed rate schedules in the above cited NPR.

Staff recommends that the FDIC Board of Directors (FDIC or Board) issue a notice of proposed rulemaking seeking comment on a proposal to:

1. Require that IDIs report average consolidated total assets in conformance with the valuation methodology established for Line 9 of Schedule RC-K of the Call Report except that all institutions must report average daily balances during the calendar quarter. Daily averaging is to be calculated following the current practice for daily average reporters of the assessment base. IDIs with non-IDI subsidiaries should incorporate data from those subsidiaries into their consolidated total assets on an average daily basis as well.

2. Use Tier 1 capital as the measure for tangible equity. Require institutions to report average monthly balances of Tier 1 capital, but provide an exception to the averaging requirement for institutions with less than $1 billion in average consolidated total assets. Allow such institutions to report the end-of-quarter amount of Tier 1 capital as a proxy for average tangible equity.

[2] See Notice of Proposed Rulemaking for Large Bank Risk-Based Assessment System.

3. Require IDIs that own other IDIs to calculate their average consolidated total assets and tangible equity capital without consolidating their IDI subsidiaries into their calculations.

4. Allow a banker's bank to deduct from the assessment base the sum of its average daily balances due from Federal Reserve Banks (reserve balances) plus its average daily federal funds sold. The amount of this deduction, however, may not exceed the sum of the bank's average daily deposit liabilities from commercial banks and other depository institutions in the United States plus its average daily federal funds purchased.

5. Classify as a custodial bank, for purposes of receiving an adjustment to the assessment base, only those banks that have a significant amount of assets in custody and safekeeping accounts as reported on their Call Report or TFR. A significant amount of assets is defined as an IDI having previous calendar year-end custody and safekeeping account assets of at least $50 billion or an IDI deriving at least 50 percent of its revenue from custody and safekeeping assets over the previous calendar year.

6. Allow a custodial bank, as defined above, to deduct from the assessment base the average daily value of its highly liquid, short-term assets subject to the limitation that such assets cannot exceed the average daily value of deposits the institution identifies as being held for its custody and safekeeping accounts. Highly liquid, short-term assets are defined herein as those assets with a Basel risk weighting of 20 percent or less and that have a stated maturity of 30 days or less.

7. Recalibrate and modify the adjustments currently applied to the initial base assessment rate. Add a new adjustment for long-term unsecured debt issued by insured depository institutions and held by other insured depository institutions.

    a. Unsecured Debt Adjustment

    Change the assessment rate reduction for long-term unsecured liabilities from the current 40 basis points times the ratio of long-term unsecured debt to domestic deposits, to 40 basis points plus the institution's IBAR times the ratio of long-term unsecured liabilities to the new assessment base.

    Change the cap on the adjustment from 5 basis points to the lesser of 5 basis points or 50 percent of the institution's IBAR.

    Remove Qualified Tier 1 capital from the definition of long-term unsecured liabilities for small institutions.

    b. Depository Institution Debt Adjustment

    Create a new adjustment that would apply a 50 basis points charge to every dollar of long-term unsecured debt held by an IDI for debt that was issued by another IDI.

c. Secured Liability Adjustment

Eliminate the secured liability adjustment.

d. Brokered Deposit Adjustment

Retain the brokered deposit adjustment of 25 basis points times the ratio of brokered deposits in excess of 10 percent of domestic deposits to the new assessment base.

Maintain the brokered deposit adjustment for small institutions in Risk Categories II, III, and IV, but apply the brokered deposit adjustment to all large institutions (those with $10 billion or more in assets). This change is being proposed simultaneously with the changes being proposed to the assessment system applicable to large institutions.

Maintain a cap of 10 basis points.

8. Adjust the assessment rate schedules so that approximately the same amount of revenue would be collected with the new assessment base as would be collected under the proposed rate schedules in the October NPR and adjust the proposed rate schedules to reflect the pricing model proposed in the NPR on the assessment system for large institutions.

THE NEW ASSESSMENT BASE

At present, an institution's assessment base is principally derived from its total domestic deposits.[3] Under the Dodd-Frank Act, the FDIC must amend its regulation to define the assessment base as average total consolidated assets minus average tangible equity. To implement this requirement, the FDIC must identify how "average consolidated total assets" and "average tangible equity" will be calculated.

Average Consolidated Total Assets

Staff recommends that the calculation of average total consolidated assets conform to the valuation methodology used for calculating average total assets as reported on Line 9 of Schedule RC-K of the Call Reports. Currently Call Report filers and TFR filers are subject to different reporting requirements regarding the use of fair value, amortized cost and historical cost. Staff has considered the benefits and costs of choosing a reporting methodology and believes that the least burdensome reporting requirement would be to mandate that all IDIs use the methodology established for Line 9 of Schedule RC-K of the Call Reports report for the reporting of average total consolidated assets except that all institutions must average their balances as of the close of business for each day during the calendar quarter. Staff further recommends that the

[3] The current definition of the assessment base is detailed in 12 CFR 327.5.

methodology for calculating daily averages be the methodology currently in place for calculating daily averages of the assessment base.

Staff recommends that the calculation of average consolidated total assets be required to be performed on a daily basis in conformance with steps taken by the FDIC in 2006 to achieve a more accurate reporting of the current assessment base. IDIs already report average assets, but the averaging period is not comparable across IDIs.

Staff also recommends that IDIs that own non-IDI subsidiaries be required to use daily averages when consolidating the assets of those subsidiaries into their balance sheets. IDIs may choose to use either average daily assets for such subsidiaries calculated for the current quarter or for the prior quarter, but having chosen one or the other method, reporting could not change from quarter to quarter.

Staff recommends that IDIs that own other IDIs be required to calculate their average consolidated total assets without consolidating their IDI subsidiaries. Both the Call Report and TFR require the parent IDI to report assets on a consolidated basis resulting in a double counting of the subsidiary IDI's assets when both IDIs are assessed on an individual basis. Such calculation(s) would be consistent with how the current assessment base is reported as current assessment base line items are reported on an unconsolidated basis.

Average Tangible Equity

Although the Dodd-Frank Act mandates that the FDIC subtract average tangible equity from average consolidated total assets in the calculation of the redefined assessment base, the Act did not provide a definition of tangible equity; nor is there a statutory definition of tangible equity. Further, regulators use a number of capital definitions for various regulatory purposes.

Staff recommends that tangible equity be defined using the definition of Tier 1 capital. Staff believes that this definition would include elements that provide a real capital buffer for the DIF in the event of the institution's failure and that such definition would minimize any new reporting requirement for IDIs.

Staff further recommends defining the averaging period for tangible equity to be monthly. Staff believes that capital levels are less volatile and likely to be a truer reflection of daily values than other items on an IDI's balance sheet and recognizes that no requirement currently exists for reporting average capital levels. Staff recommends that an exception to the averaging requirement be allowed for institutions with less than $1 billion in average consolidated total assets. For such institutions, staff recommends that they be allowed to report their end-of-quarter Tier 1 capital value for average tangible equity. Staff believes that this methodology for reporting average tangible equity should not increase regulatory burden for any institution, since institutions with $1 billion or more in average consolidated total assets generally compute their regulatory capital ratios no less frequently than monthly. Once an institution reports average consolidated total assets of $1 billion or more for two consecutive quarters, it would have to calculate monthly averages in the next quarter.

ADJUSTMENTS TO THE NEW ASSESSMENT BASE

The Dodd-Frank Act instructed the FDIC to determine whether some assets on the books of banker's banks and custodial banks should be deducted from the assessment bases of those types of institutions.

Banker's banks

Banker's banks are defined by 12 U.S.C. 24. As of September 2010, fewer than 25 IDIs would qualify as banker's banks by this definition. Staff recommends that a banker's bank be required to self-certify on its Call Report or TFR that it meets the 12 U.S.C. 24 definition. The self certification would be subject to verification by the FDIC.

The unique business of a banker's bank requires it to hold a greater than average amount of federal funds purchased and deposits from its member banks on its balance sheet in order to service the needs of its member banks. Additionally, a banker's bank acting in its agency capacity reports an asset on its balance sheet when passing through client bank funds to the Federal Reserve Banks. The deposit liabilities associated with these "pass-through" reserve balances are currently deducted from the assessment base.

In light of its need to maintain higher than average levels of highly liquid assets, staff recommends that for a banker's bank (with the exception noted below) the FDIC deduct from its assessment base the sum of its average daily balances due from Federal Reserve Banks (reserve balances) plus its average daily federal funds sold. The amount of this deduction, however, may not exceed the sum of the bank's average daily deposit liabilities from commercial banks and other depository institutions in the United States plus its average daily federal funds purchased. For example, if a banker's bank has a total of $300 million of average daily federal funds sold plus reserve balances, and it has $200 million of average daily deposits from other depository institutions and federal funds purchased, it can deduct $200 million from its assessment base.

Because the potential exists for a banker's bank to be chartered to provide services only to its parent holding company or entities that are directly or indirectly controlled (under the Bank Holding Company Act or the Home Owners' Loan Act) by its parent holding company, staff recommends that the banker's bank adjustment be available only to those banker's banks that conduct at least 50 percent of their business with entities that are not controlled either directly or indirectly by the banker's bank's parent holding company. Such banker's banks should not self-certify for purposes of this adjustment.

Custodial Banks

The Dodd-Frank Act instructed the FDIC to consider whether certain assets should be deducted from the assessment base of custodial banks. However, the Act left it to the FDIC to define which banks would be considered custodial banks "based on factors including the percentage of total revenues generated by custodial businesses and the level of assets under custody." To identify custodial banks for deposit insurance purposes, staff focused on the custody and safekeeping accounts reported in the fiduciary and related assets section of the Call Report and TFR.

FDIC staff identified 878 IDIs that reported some custodian activity on their Call Reports or TFRs as of December 2009.[4] Of this number, only 6 IDIs reported that revenue derived from custody and safekeeping accounts exceeded 50 percent of their total revenue, and only16 IDIs reported that the percentage of their total revenue derived from custody and safekeeping accounts exceeded 10 percent. When staff examined the volume of assets held by IDIs in their custody and safekeeping accounts, staff found that only 21 IDIs held more than $50 billion in assets in these accounts. The top 4 among these institutions held more than $5 trillion dollars each in these accounts.

Staff recommends that, based on the considerations set forth in the Dodd-Frank Act, only institutions that reported $50 billion or more in custody and safekeeping assets in their prior year's December Call Report or TFR, or institutions that reported in their prior year's December Call Report or TFR that more than 50 percent of their total revenue was derived from custody or safekeeping accounts should be defined as custodial banks for deposit insurance purposes. This definition would exclude assets and revenue from fiduciary accounts since the custody activity provided to service those accounts is incidental to an institution's overall fiduciary activities. While this definition recognizes the large-scale nature of this business, it also allows smaller institutions whose primary revenue sources are their custody and safekeeping activities to benefit from the proposed adjustment. Under this definition staff estimates that 23 IDIs would have qualified as custodial banks for deposit insurance purposes as of December 31, 2009.

Staff recommends that an adjustment to the assessment base of a custodial bank be made in recognition of the bank's need to hold liquid assets to facilitate the payments and processing function associated with custody and safekeeping accounts. Staff, therefore, recommends that custodial banks as defined for deposit insurance purposes be allowed to deduct from their current year's assessment base their average daily highly liquid short-term assets as the maintenance of these liquid assets is necessary for the performance of their custody and safekeeping functions. Such deduction, however, is not to exceed the average daily amount of deposits identified by the IDI as being held as a

[4] IDIs with less than $250 million in fiduciary assets in the preceding year or with gross fiduciary income of less than 10 percent of the preceding year's revenue report their trust activities only on the December call report or TFR.

result of their custody and safekeeping function.[5] Highly liquid short-term assets are here defined as those assets with a Basel risk weighting of 20 percent or less and whose stated maturity date is 30 days or less.

CHANGES IN CURRENT ADJUSTMENTS TO THE ASSESSMENT RATES

In March 2009 the FDIC issued a Final Rule incorporating three adjustments into the risk-based pricing system. These adjustments—the Unsecured Debt Adjustment, the Secured Liability Adjustment, and the Brokered Deposit Adjustment—were incorporated to improve the way the assessment system differentiated risk among IDIs. Because the proposed assessment base is larger than the current assessment base, staff proposes to recalibrate the assessment rate schedule. Staff also examined the adjustments to ensure that they would continue to serve their intended function.

Unsecured Debt Adjustment

The unsecured debt adjustment seeks to encourage the use of long-term, unsecured liabilities as a funding source for IDIs by reducing the cost of issuing such liabilities. Accordingly, under the current assessment system, IDIs that issue long-term unsecured debt are given a deduction of 40 basis points for each dollar of long-term unsecured debt they issue. This adjustment is converted into a reduction in the IDI's initial base assessment rate and capped at 5 basis points.

Unless the unsecured debt adjustment is revised, the cost of issuing long-term unsecured liabilities will increase (as will the cost of funding for all other liabilities except domestic deposits) since there will be no distinction, in terms of the cost of deposit insurance, among the types of liabilities funding the new assessment base. Staff is concerned that this will reduce the incentive for IDIs to issue long-term unsecured debt.

Staff recommends therefore that the unsecured debt adjustment be revised to ensure that IDIs are provided with an equivalent incentive to issue more long-term unsecured debt than they otherwise would. Staff proposes that the unsecured debt adjustment be raised to 40 basis points plus the IBAR for every dollar of long-term unsecured debt.

Staff recommends that the cap on the unsecured debt adjustment be changed to the lesser of 5 basis points or 50 percent of the institution's initial base assessment rate. By retaining the cap at 5 basis points, the dollar amount of the adjustment will be allowed to increase for those at or near the old cap because the assessment base will be larger. Staff makes this recommendation in order to encourage all institutions to issue long-term unsecured debt. Additionally, limiting the adjustment to 50 percent of an institution's initial base assessment rate will ensure that an institution's deposit insurance premium cannot be reduced to zero

[5] Institutions that provide custody and safekeeping services may also provide fiduciary services that incorporate ancillary, incidental amounts of custody and safekeeping services. Such accounts may not be included in the identification of deposits held for the purposes of custody and safekeeping.

Staff further recommends that Qualified Tier 1 capital be removed from the definition of long-term unsecured debt. Since the new assessment base excludes Tier 1 capital, defining long-term, unsecured liabilities to include Qualified Tier 1 capital would have the effect of providing a double deduction for this capital.[6]

Depository Institution Debt Adjustment

Staff recommends adding an adjustment for those institutions that hold long-term unsecured liabilities issued by other insured depository institutions. Institutions that hold this type of unsecured liability would be charged 50 basis points for each dollar of such long-term unsecured debt held. The issuance of unsecured debt by an IDI lessens the potential loss to the DIF in the event of an IDI's failure; however, when such debt is held by other IDIs, the overall risk in the system is not reduced. The intent of the increased assessment, therefore, is to discourage IDIs from purchasing the long-term unsecured debt of other IDIs.

Secured Liability Adjustment

Staff recommends that the secured liability adjustment be discontinued with the implementation of the new assessment base. In arguing for the secured liability adjustment the FDIC stated that, "[t]he exclusion of secured liabilities can lead to inequity. An institution with secured liabilities in place of another's deposits pays a smaller deposit insurance assessment, even if both pose the same risk of failure and would cause the same losses to the FDIC in the event of failure." With the change in the assessment base, secured liabilities will, in effect, be charged at the same assessment rate as deposits, thus eliminating the differential that led to the adjustment.

Brokered Deposit Adjustment

Under the current assessment system, a brokered deposit adjustment is added to the assessment rate of an institution in Risk Categories II, III or IV if its ratio of brokered deposit to domestic deposits exceeds 10 percent. The amount of the increase is set at 25 basis points times the ratio of brokered deposits to domestic deposits in excess of 10 percent. The maximum adjustment, however, is limited by a cap to 10 basis points.

Staff proposes to maintain the 25 basis point adjustment for brokered deposits held in excess of 10 percent of domestic deposits, but to scale the adjustment to the new assessment base. Staff also recommends that the 10 basis points cap be maintained to improve the effectiveness of the brokered deposit adjustment. Staff recognizes that keeping the cap unchanged will effectively result in an increase in the amount of an IDI's assessment for those IDIs that were close to or had reached the current cap because the assessment base will be larger. However, staff remains concerned that significant

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[6] Capital, including Qualified Tier 1 capital, also enters the risk-based assessment system through the pricing model.

reliance on brokered deposits tends to increase an institution's risk profile, particularly as its financial condition weakens.

This recommendation is being made simultaneously with the proposed NPR on the assessment system for large institutions, which staff is recommending be published concurrently with this NPR. Since that NPR would eliminate the risk categories for large institutions, staff proposes to extend the brokered deposit adjustment, as described above, to all large institutions. Staff recommends, however, that the adjustment, as modified above, continue to apply to small institutions in Risk Categories II, III or IV only.

ADJUSTMENT OF THE INITIAL AND TOTAL BASE ASSESSMENT RATES

The new assessment base under the Dodd-Frank Act will be larger than the current assessment base. Applying the current rate schedule to the new assessment base would thus result in larger assessments for each IDI than is currently collected. Accordingly, staff recommends that the current rate schedule be adjusted such that the new rates would have resulted in the collection of approximately the same amount of estimated assessment revenue under the new base as under the current rate schedule with the current base for the second quarter of 2010. This analysis and the new rate schedule incorporate the changes staff is also proposing to make to the assessment system for large institutions. The new rate schedule would be the following:

Initial and Total Base Assessment Rates*

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	5–9	14	23	35	5–35
Unsecured debt adjustment*	(5)–0	(5)–0	(5)–0	(5)–0	(5)–0
Brokered deposit adjustment	......	0–10	0–10	0–10	0–10
TOTAL BASE ASSESSMENT RATE	2.5–9	9-24	18-33	30-45	2.5–45

* Total base assessment rates do not include the proposed depository institution debt adjustment.

**The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an IDI's initial base assessment rate; thus for example, an IDI with an IBAR of 5 basis points would have a maximum unsecured debt adjustment of 2.5 basis points and could not have a total base assessment rate lower than 2.5 basis points.

Staff expects that in light of the new assessment base, institutions may take actions to lower their base and rate by altering their funding structure or other behavior in ways and amounts that cannot be precisely forecast. Additionally, staff does not have all the necessary data to precisely calculate the new assessment base. Maintaining revenue neutrality, therefore, requires the FDIC to make a number of assumptions and estimates. Staff erred on the conservative side when making the revenue estimations.

Staff also recommends that the FDIC maintain its ability to move the rate schedule up or down by 3 basis points without seeking notice-and-comment rulemaking. Retention of this flexibility would enable the Board to act in a timely manner to fulfill its mandate to raise the reserve ratio, particularly in light of the increased uncertainty about expected revenue resulting from the change in the assessment base.

Staff is also proposing new rate schedules scaled to the increase in the assessment base that would go into effect when the reserve ratio reached 1.15 percent, 2.00 percent, and 2.50 percent as proposed in the NPR on Assessment Rates, Dividends and the Designated Reserve Ratio. The new rate schedules for those instances are as follows:

Initial and Total Base Assessment Rates*
Effective for the Quarter Beginning Immediately after the Quarter in which the Reserve Ratio Meets or Exceeds 1.15 Percent

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	3–7	12	19	30	3–30
Unsecured debt adjustment*	(3.5)–0	(5)–0	(5)–0	(5)–0	(5)–0
Brokered deposit adjustment	……	0–10	0–10	0–10	0–10
TOTAL BASE ASSESSMENT RATE	1.5–7	7-22	14-29	29-40	1.5–40

* Total base assessment rates do not include the proposed depository institution debt adjustment.
** The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an IDI's initial assessment rate; thus, for example, an IDI with an initial base assessment rate of 3 basis points would have a maximum unsecured debt adjustment of 1.5 basis points and could not have a total base assessment rate lower than 1.5 basis points.

Initial and Total Base Assessment Rates*
Effective for any Quarter when the Reserve Ratio for the Prior Quarter Meets or Exceeds 2 Percent (but Is Less than 2.5 Percent)

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	2–6	10	17	28	2–28
Unsecured debt adjustment*	(3)–0	(5)–0	(5)–0	(5)–0	(5)–0
Brokered deposit adjustment	......	0–10	0–10	0–10	0–10
TOTAL BASE ASSESSMENT RATE	1–6	5-20	12-27	23-38	1–38

* Total base assessment rates do not include the proposed depository institution debt adjustment.
** The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an IDI's initial assessment rate; thus, for example, an IDI with an initial assessment rate of 2 basis points would have a maximum unsecured debt adjustment of 1 basis point and could not have a total base assessment rate lower than 1 basis point.

Initial and Total Base Assessment Rates*
Effective for any Quarter when the Reserve Ratio for the Prior Quarter Meets or Exceeds 2.5 Percent

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	1–5	9	15	25	1–25
Unsecured debt adjustment*	(2.5)–0	(4.5)–0	(5)–0	(5)–0	(5)–0
Brokered deposit adjustment	......	0–10	0–10	0–10	0–10
TOTAL BASE ASSESSMENT RATE	0.5–5	4.5-19	10-25	20-35	0.5–35

* Total base assessment rates do not include the proposed depository institution debt adjustment.
** The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an IDI's initial assessment rate; thus, for example, an IDI with an initial assessment rate of 1 basis point would have a maximum unsecured debt adjustment of 0.5 basis points and could not have a total base assessment rate lower than 0.5 basis points.

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