

Corporate & Financial Weekly Digest

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Notice Requirement Implements Dodd-Frank Act Provision on Unlimited FDIC Coverage for Noninterest-Bearing Transaction Accounts

On November 9, 2010, the Federal Deposit Insurance Corporation's Board of Directors issued a final rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section 343 of the Dodd-Frank Act provides unlimited insurance coverage for noninterest-bearing transaction accounts at all insured depository institutions (IDIs) from December 31, 2010, through December 31, 2012. The final rule imposes certain notice requirements, including the requirement that if an IDI modifies the terms of a deposit account so that the account no longer will be eligible for unlimited deposit insurance coverage, the institution "must notify affected customers and clearly advise them, in writing, that such actions will affect their deposit insurance coverage." As explained in the preamble to the final rule, this notice requirement is intended primarily to apply when IDIs begin paying interest on a demand deposit accounts (DDA), permitted beginning July 21, 2011, under Section 627 of the Dodd-Frank Act.

Therefore, if on or after July 21, an IDI modifies the terms of a DDA so that the account may pay interest, the IDI must notify affected customers that the account no longer will be eligible for unlimited deposit insurance coverage as a noninterest-bearing transaction account. The FDIC has not imposed specific requirements as to the form of the notice. Rather, the FDIC expects IDIs to act in a commercially reasonable manner and to comply with applicable state and federal laws and regulations in informing depositors of changes to their account agreements.

The notice requirement for noninterest-bearing transaction accounts that convert to interest-bearing accounts does not apply to DDAs modified after December 31, 2012. As of January 1, 2013, all transaction accounts, whether they pay interest or not, will be insured up to the standard maximum deposit insurance amount, which currently is \$250,000.

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