



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-20-2011
April 12, 2011

ASSESSMENTS

Notice of Proposed Assessment Rate Adjustment Guidelines

Summary: On April 12, 2011, the FDIC Board of Directors (FDIC Board) authorized publication of the attached proposed guidelines describing the process that the FDIC would follow to determine whether to make an adjustment to the score used to calculate the assessment rate for a large or highly complex institution, determine the size of any adjustment, and notify an institution of an adjustment. The final rule adopted by the FDIC Board on February 7, 2011, revising the risk-based assessment system applicable to all large and highly complex insured depository institutions, allows the FDIC to make limited adjustments to these scores and provides that the FDIC will not make any adjustments until new guidelines have been published for comment and approved by the FDIC Board. The FDIC seeks comment on the proposed guidelines; comments must be received within 45 days following publication in the *Federal Register*. The proposed guidelines apply to institutions with \$10 billion or more in assets.

Statement of Applicability to Institutions under \$1 billion: Institutions with total assets of \$1 billion or less are exempt from this guidance.

Distribution:

All FDIC-Insured Institutions

Suggested Routing:

Chief Executive Officer
President
Chief Financial Officer

Related Topics:

FDIC Regulations Governing the Assessment Process, 12 CFR Part 327

Attachment:

[Proposed Assessment Rate Adjustment Guidelines](#)

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Note:

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Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- For quarters beginning April 1, 2011, and thereafter, the FDIC will use a new methodology for determining assessment rates for highly complex and other large insured depository institutions. (Assessments, Large Bank Pricing, 76 Fed Reg. 10672 (Feb. 25, 2011)).
- The new methodology combines CAMELS ratings and forward-looking financial measures into one of two scorecards, one for highly complex institutions and another for all other large institutions, to produce a total score.
- The FDIC can make a limited adjustment to an institution's total score based upon risks that are not adequately captured in the scorecard.
- In addition, institutions can make written request to the FDIC for an adjustment that is supported by evidence of a material risk or risk-mitigating factor that is not adequately accounted for in the scorecard.
- The proposed guidelines and examples of how the guidelines would be applied are included in the Notice of the Proposed Assessment Rate Adjustment Guidelines published in the *Federal Register*.
- The proposed guidelines would supersede the large bank pricing adjustment guidelines published on May 15, 2007.

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Statement of Applicability to Institutions under \$1 Billion

The proposed assessment rate adjustment guidelines apply only to institutions with \$10 billion or more in assets. This proposal has no impact on institutions with less than \$1 billion in assets.

Proposed Assessment Rate Adjustment Guidelines for Large and Highly Complex Institutions

On February 7, 2011, the FDIC Board of Directors (FDIC Board) amended its assessment regulations and established a new methodology for calculating deposit insurance assessment rates for highly complex and other large insured institutions (Large Bank Pricing Rule) (76 Fed. Reg. 10672 (Feb. 25, 2011)). The new methodology combines CAMELS ratings and financial measures to produce a score that is translated into an institution's assessment rate. The Large Bank Pricing Rule authorizes the FDIC to adjust an institution's total score by 15 points, up or down; however, the rule provides that the FDIC will not make any adjustments until new guidelines have been published for comment and approved by the FDIC Board. The proposed guidelines, which are attached, describe the process that the FDIC would follow to determine whether to make an adjustment, to determine the size of any adjustment, and to notify an institution of an adjustment. The proposed guidelines also provide examples of circumstances that might give rise to an adjustment.

Brief Summary of Proposed Approach

- The FDIC would focus on identifying institutions for which a combination of risk measures and other information suggests either materially higher or lower risk than their total scores indicate (generally, where an adjustment of five points or more would be appropriate).
- The FDIC would primarily consider two types of information in determining whether to make an adjustment: (1) a scorecard ratio or measure that exceeds the maximum cutoff value for that ratio or measure or is less than the minimum cutoff value, along with the degree to which the ratio or measure differs from the cutoff value; or (2) information not directly captured in the scorecard, including complementary quantitative risk measures and qualitative risk considerations.
- The FDIC would continue to consult with an institution's primary federal regulator and appropriate state banking supervisor before making or removing an adjustment.
- The FDIC would continue to give institutions an opportunity to respond before increasing a score or removing a decrease in score.
- Institutions could make written request, supported by documentation, for an adjustment.

- An institution could continue to request review of or appeal adjustment decisions.

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