U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

B-327968

April 14, 2016

The Honorable Richard Shelby
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Federal Deposit Insurance Corporation: Assessments*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Federal Deposit Insurance Corporation (FDIC) entitled "Assessments" (RIN: 3064-AE40). We received the rule on March 31, 2016. It was published in the *Federal Register* as a final rule on March 25, 2016. 81 Fed. Reg. 16,059.

The final rule imposes a surcharge on the quarterly assessments of insured depository institutions with total consolidated assets of $10 billion or more. The surcharge will equal an annual rate of 4.5 basis points applied to the institution's assessment base (with certain adjustments). If the Deposit Insurance Fund (DIF) reserve ratio reaches 1.15 percent before July 1, 2016, surcharges will begin July 1, 2016. If the reserve ratio has not reached 1.15 percent by that date, surcharges will begin the first day of the calendar quarter after the reserve ratio reaches 1.15 percent. Lower regular quarterly deposit insurance assessment (regular assessment) rates will take effect the quarter after the reserve ratio reaches 1.15 percent. Surcharges will continue through the quarter that the reserve ratio first reaches or exceeds 1.35 percent, but not later than December 31, 2018. FDIC expects that surcharges will commence in the second half of 2016 and that they should be sufficient to raise the DIF reserve ratio to 1.35 percent in approximately eight quarters, i.e., before the end of 2018. If the reserve ratio does not reach 1.35 percent by December 31, 2018 (provided it is at least 1.15 percent), FDIC will impose a shortfall assessment on March 31, 2019, on insured depository institutions with total consolidated assets of $10 billion or more. FDIC will provide assessment credits (credits) to insured depository institutions with total consolidated assets of less than $10 billion for the portion of their regular assessments that contribute to growth in the reserve ratio between 1.15 percent and 1.35 percent. FDIC will apply the credits each quarter that the reserve ratio is at least 1.38 percent to offset the regular deposit insurance assessments of institutions with credits.

Enclosed is our assessment of FDIC's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that FDIC complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Andy Jiminez
Director, Office of Legislative Affairs
Federal Deposit Insurance Corporation

ENCLOSURE

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
FEDERAL DEPOSIT INSURANCE CORPORATION
ENTITLED
"ASSESSMENTS"
(RIN: 3064-AE40)

(i) Cost-benefit analysis

The Federal Deposit Insurance Corporation (FDIC) described the economic effects of this final rule. FDIC estimates that it will collect approximately $10 billion in surcharges and award approximately $1 billion in credits to small banks, although actual amounts may vary from these estimates. FDIC projects that a shortfall assessment will be unnecessary. FDIC stated that the benefits of the final rule will be to quickly strengthen the Deposit Insurance Fund's (DIF's) ability to withstand an unanticipated spike in losses and reduce the risk of larger assessments for the entire industry. According to FDIC, under the final rule, the cost of raising the minimum reserve ratio will be spread over approximately eight quarters and calculated in a simple, predictable manner.

FDIC projects that the net effect of lower assessment rates that go into effect when the reserve ratio reaches 1.15 percent and the imposition of the surcharge will result in lower assessments for approximately one-third of all large banks. Specifically, the analysis estimates that 37 of the 108 large banks will pay lower assessments in the future than they pay currently. The analysis reveals no significant capital effects from the surcharge. Under FDIC's analysis, all large institutions continue to maintain a 4 percent leverage ratio, at a minimum, both before and after the imposition of the surcharge. FDIC also found that the annual surcharge also represents only a small percentage of bank earnings for most large banks. In the aggregate, according to this analysis, the annual surcharge absorbs 2.33 percent of total large bank adjusted earnings and 2.36 percent of total large bank current earnings. As of December 31, 2015, for 83 percent of all large banks (86 large banks) the surcharge represents 3 percent or less of adjusted annual earnings. For 92 percent (96 large banks), the surcharge represents 5 percent or less of adjusted annual earnings. Only 8 large banks' adjusted annual earnings are affected by more than 5 percent, with the maximum effect on any single bank being 9.6 percent.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

FDIC determined that this final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, FDIC is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On November 6, 2015, FDIC published a proposed rule. 80 Fed. Reg. 68,780. FDIC received eight letters on the proposed rule, four from trade groups and four from banks. FDIC discussed the comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

FDIC determined that this final rule does not revise its existing information collection requirement entitled "Assessments Information Collection 3064–0057, Quarterly Certified Statement Invoice for Deposit Insurance Assessment." FDIC will continue to obtain the information necessary to calculate the surcharge assessment and assessment credits from the Call Report. Therefore, FDIC determined no submission to Office of Management and Budget under the Act need be made.

Statutory authorization for the rule

FDIC promulgated this final rule under the authority of sections 1441, 1813, 1815, 1817–1819, and 1821 of title 12, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, FDIC is not subject to the requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, FDIC is not subject to the requirements of the Order.