

## FAQ: What does the Dodd-Frank Act do to the FDIC Transaction Account Guarantee (TAG) Program?

### Does the Dodd-Frank Act extend the TAG Program?

The Dodd-Frank Act provides unlimited FDIC insurance for noninterest-bearing transaction accounts in *all* banks *effective on December 31, 2010 and continuing through December 31, 2012*. The current FDIC TAG Program – which continues to the end of this year – is *not changed* by this Act. While the FDIC did give itself the option, if conditions warrant, to extend the TAG Program again into 2011, this new law would make such a decision moot. Thus, while this new two-year coverage picks up where the current TAG program leaves off, there are important changes to the coverage which are discussed below.

### Does the Dodd-Frank Act provision mean any changes for banks currently in the TAG Program?

No. Banks that have remained in the TAG Program (*i.e.*, did not opt out) will still have the *same coverage* under that program through the end of this year and will still pay for the extra coverage at the *same rates* as before through the end of this year. Those banks that opted out of the TAG Program will not have any coverage of noninterest-bearing transaction accounts (above the standard \$250,000 level) until next year, when all banks will be subject to the new law.

### Do banks need to opt into or out of the TAG Program for next year?

No. The Dodd-Frank Act provides FDIC coverage for *all* noninterest-bearing transaction accounts in *all* banks for 2011 and 2012. Banks do not have to opt into this program, nor can they opt out.

### Is the extra coverage under the Dodd-Frank Act the same as under the TAG Program?

No. For banks that are in the current TAG Program, there is unlimited FDIC coverage for noninterest-bearing transaction accounts, as well as for NOW accounts (where the interest rate is contractually limited to no more than 25 basis points) and Interest on Lawyers Trust Accounts (IOLTAs). The extra coverage provided for in the Dodd-Frank Act in 2011 and 2012 includes *only transaction accounts that pay no interest*; it does not include any interest-bearing NOW accounts or IOLTAs.

### What are the premiums for the coverage provided under Dodd-Frank Act?

The unlimited FDIC coverage of noninterest-bearing transaction accounts will no longer be a special program; rather, it will be part of the standard FDIC insurance coverage for 2011 and 2012. Therefore, based on preliminary discussions with the FDIC (which can change, of course), we expect that the coverage will be included as part of the regular quarterly risk-based premiums, *i.e.*, there will not be any special “add-on” premiums or fees for this coverage as are currently being charged for the TAG Program. However, if bank failures cost more due to this coverage, the extra cost will be borne by all banks and will be paid through their regular quarterly risk-based premium assessments.

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**What disclosures will be required?**

The FDIC will promulgate rules for disclosures related to this program. After the TAG Program expires at the end of 2010, banks will no longer be required to post notices in their lobbies or on their websites stating that they are or are not participating in the program and listing the accounts covered by it. However, all banks will be required to amend their standard disclosures to make clear that FDIC coverage is provided up to \$250,000 and, during 2011 and 2012, unlimited for noninterest-bearing transaction accounts.

Importantly, the Dodd-Frank Act removes the prohibition on payments of interest on demand deposit accounts as of July 21, 2011 (*i.e.*, one year after the date of enactment, July 21, 2010). (See Dodd-Frank Act §627.) Thus, should a depositor or a sweep account shift money (in excess of the permanent \$250,000 limit) from a noninterest-bearing transaction account to an interest bearing demand deposit account, the over-\$250,000 FDIC insurance coverage would cease to exist. Disclosures notifying the customer of this change would be required (and we expect the FDIC to promulgate the rules and expectations for this).

**Where can I find the latest TAG rule and wording in the Dodd-Frank Act?**

The final rule on the TAG Program, as adopted by the FDIC Board on June 22, 2010, is posted to [www.fdic.gov/regulations/laws/federal/2010/10finalJune28.pdf](http://www.fdic.gov/regulations/laws/federal/2010/10finalJune28.pdf).

In the Dodd-Frank Act, Section 343 provides full FDIC coverage of noninterest-bearing transactions accounts over 2011-2012. See pages 169-70 in: [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_bills&docid=f:b4173enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:b4173enr.txt.pdf).

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