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FEDERAL DEPOSIT INSURANCE CORPORATION

Notice of the FDIC's Response to Exception Requests Pursuant to Recordkeeping for Timely Deposit Insurance Determination

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice of the FDIC's response to exception requests pursuant to the Recordkeeping for Timely Deposit Insurance Determination rule.

SUMMARY: In accordance with its rule regarding recordkeeping for timely deposit insurance determination, the FDIC is providing notice to covered institutions that it has granted a time-limited exception concerning the requirement to maintain official custodian information in deposit account records for government deposit accounts, a time-limited exception concerning the requirement to maintain accurate beneficiary information in deposit account records for informal revocable trust accounts, and an indefinite exception concerning the requirement to maintain certain identifying information for beneficial owners of deposits in low balance, short-term prepaid card accounts.

DATES: The FDIC's grants of exception relief were effective as of November 26, 2019.

FOR FUTURE INFORMATION CONTACT: Peter Miller, Assistant Director, Division of Complex Institution Supervision and Resolution; telephone 917-320-2589.

SUPPLEMENTARY INFORMATION:

The FDIC has granted three exception requests pursuant to the FDIC's rule entitled "Recordkeeping for Timely Deposit Insurance Determination," codified at 12 CFR part 370 (part

370).¹ Part 370 generally requires covered institutions to implement the information technology system and recordkeeping capabilities needed to quickly calculate the amount of deposit insurance coverage available for each deposit account in the event of failure. Pursuant to section 370.8(b)(1), one or more covered institutions may submit a request in the form of a letter to the FDIC for an exception from one or more of the requirements of part 370 if circumstances exist that would make it impracticable or overly burdensome to meet those requirements. Pursuant to section 370.8(b)(3), a covered institution may rely upon another covered institution's exception request which the FDIC has previously granted by notifying the FDIC that it will invoke relief from certain part 370 requirements and demonstrating that the covered institution has substantially similar facts and circumstances to those of the covered institution that has already received the FDIC's approval. The notification letter must also include the information required under section 370.8(b)(1) and cite the applicable notice published pursuant to section 370.8(b)(2). Unless informed otherwise by the FDIC within 120 days after receipt of a complete notification for exception, the exception will be deemed granted subject to the same conditions set forth in the FDIC's published notice.

These grants of relief may be rescinded or modified upon material change of circumstances or conditions related to the subject accounts, or upon failure to satisfy conditions applicable to each. These grants of relief will be subject to ongoing FDIC review, analysis, and verification during the FDIC's routine part 370 compliance tests. The following exceptions were granted by the FDIC as of November 26, 2019.

¹ 12 C.F.R. Part 370.

I. Government deposit accounts for which the covered institution does not have the requisite information regarding the official custodian

A covered institution was granted a time-limited exception from the general recordkeeping requirements set forth in section 370.4(a) to obtain official custodian information needed to calculate deposit insurance available for government deposit accounts and maintain that information in its deposit account records. The covered institution did not collect, or have a mechanism to collect such information prior to the FDIC's adoption of part 370 and anticipates that it may not be able to collect such information for all government accounts before its April 1, 2020 compliance date.

In connection with the FDIC's grant of relief, the covered institution will implement an outreach plan to obtain the requisite information directly from the government account holders; update its electronic deposit account records and make other IT system enhancements as needed; ensure that, from and after the April 1, 2020 compliance date, holds can be placed on government deposit accounts in the event of its failure until sufficient information is provided by the account holder to enable calculation of deposit insurance coverage; submit a status report to the FDIC at the midpoint of the exception relief period; and immediately notify the FDIC of any change in relevant circumstances or conditions.

II. Informal revocable trust accounts for which the covered institution needs additional time to integrate beneficiary information

A covered institution was granted a time-limited exception from the general recordkeeping requirements set forth in section 370.4(a) to identify accurate beneficiary information needed to calculate deposit insurance coverage for informal revocable trust accounts

(also known as “payable-on-death” or “in-trust-for” accounts) and maintain that information in a systematic manner that can be used by its IT system to calculate deposit insurance coverage.

In connection with the FDIC’s grant of relief, the covered institution will implement and complete review of paper-based documents or contact account holders to obtain the necessary beneficiary information; update its electronic deposit account records and make other IT system enhancements as needed; submit a status report to the FDIC at the midpoint of the period for which relief is granted; and immediately notify the FDIC of any change in relevant circumstances or conditions.

III. Deposits held in connection with low balance, short-term prepaid cards

A covered institution was granted an indefinite exception from section 370.4(a)(1)(ii) for deposit accounts held in connection with low balance, short-term prepaid cards issued for rebates, refunds, incentives, and per diem payments. These cards are issued by the covered institution on behalf of a commercial customer and have been registered by the cardholders. Although the prepaid cards are registered, the cardholders do not provide social security numbers, which are necessary for the covered institution’s IT system to aggregate deposits by owner for deposit insurance calculation purposes. The covered institution asserts that a certain small population of prepaid cardholders will not provide personally identifiable information for a low dollar prepaid card that will be used within months of issuance. This exception does not include deposit accounts held in connection with payroll or government prepaid cards, certain types of loyalty or rebate cards where the cardholder is not the actual owner of the funds, or per diem cards for which the covered institution has a social security number.

The covered institution stated that it has not collected social security numbers prior to issuance of these prepaid cards, nor does it have a business purpose or mechanism to do so. It

also stated that doing so would jeopardize the commercial viability of the product or service and that the deposit accounts subject to the exception were a small subset of the covered institution's prepaid card portfolio and have low balances and high turnover.

In connection with the FDIC's grant of relief, the covered institution will: maintain the capability to restrict access to the deposit accounts subject to the exception to ensure no uninsured funds leave the covered institution in the event of its failure; maintain at least one method for the cardholder to register his or her name, address, and social security number through, for example, a web site or call center; receive daily reports from the prepaid card processor(s) with customer name, address, transaction data, and end-of-day customer balances; document the resources, methods, and estimated time needed at failure to collect social security numbers related to the subject accounts; include in the institution's current prepaid cardholder disclosure notices that access to funds will be withheld in the event of failure pending receipt of sufficient information, including, at a minimum, government identification, to complete a deposit insurance calculation; demonstrate the IT system's ability to timely generate the customer file and process the deposit insurance calculation; and immediately bring to the FDIC's attention any change of circumstances or conditions.

Federal Deposit Insurance Corporation.

Dated at Washington, DC on December 18, 2019.

Annmarie H. Boyd,

Assistant Executive Secretary.

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