



BILLING CODE 6714-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 327

RIN 3064-AF64

Assessments; Corrections

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Correcting amendments.

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) is making technical amendments to its rules governing deposit insurance assessments in two places to conform regulatory text to the text that was adopted by the FDIC Board of Directors (FDIC Board). Due to publishing errors, incorrect text was printed in the *Federal Register* and the Code of Federal Regulations. The first amendment will conform the value of the weighted charge-off rate for loans secured by nonfarm nonresidential properties that appears in the FDIC's assessment regulations to the charge-off rate adopted by the FDIC Board. The second amendment will conform a footnote that defines two terms in the descriptions of the counterparty measures for purposes of deposit insurance assessments to the language adopted by the FDIC Board. The technical amendments will not affect assessments previously paid by insured depository institutions (IDIs) or assessments paid by IDIs in the future.

DATES: Effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT:

Daniel Hoople, Senior Financial Economist, Banking and Regulatory Policy Section, Division of Insurance and Research, (202) 898-3835, dhoople@fdic.gov; Nefretete Smith, Counsel, Legal Division, (202) 898-6851, nefsmith@fdic.gov.

SUPPLEMENTARY INFORMATION:

I. Technical Amendment Regarding the Loan Mix Index

The FDIC assesses all IDIs¹ an amount for deposit insurance equal to the institution's deposit insurance assessment base multiplied by its risk-based assessment rate.² On May 20, 2016, the FDIC published a final rule (2016 final rule) that refined the deposit insurance assessment system for established small IDIs.³ Under the 2016 final rule, one of the measures used to calculate the assessment rate of an established small IDI is the loan mix index, a measure of the extent to which an IDI's total assets include higher-risk categories of loans.

This technical amendment corrects the historical weighted charge-off rate for loans secured by nonfarm nonresidential properties, one of the categories of loans used in the loan mix index, that is currently published in the Code of Federal Regulations. Due to an inadvertent publishing error, the rate that appeared in the *Federal Register* notice for the final rule on May 20, 2016 (81 FR 32179), 0.7289274, differs from the historical weighted average industrywide charge-off rate that the FDIC Board adopted on April 26, 2016, and that the FDIC uses to calculate an IDI's loan mix index, 0.7286274, by three ten-thousandths of a percentage point. The technical amendment will not affect assessments previously paid by IDIs, or assessments paid by IDIs in the future, because

¹ As used in this notice, the term "insured depository institution" has the same meaning as the definition used in Section 3 of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. 1813(c)(2).

² See generally 12 CFR 327.3(b)(1).

³ 81 FR 32179 (May 20, 2016).

the value for loans secured by nonfarm nonresidential properties that the FDIC uses to calculate the loan mix index is the value adopted by the FDIC Board in the 2016 final rule.

II. Technical Amendment Regarding Description of Scorecard Measures for Highly Complex Institutions

In 2014, the FDIC published a final rule (2014 final rule) that, among other things, requires highly complex institutions—generally, those with at least \$50 billion in total assets (or owned by a parent holding company with at least \$500 billion in assets) or those defined as processing banks or trust companies—to measure counterparty exposure for deposit insurance assessment purposes using the Basel III standardized approach.⁴ Counterparty exposure is captured in two measures—the ratio of top 20 counterparty exposures to Tier 1 capital and reserves and the ratio of the largest counterparty exposure to Tier 1 capital and reserves (collectively, the counterparty exposure measures)—which are used to determine a highly complex institution’s assessment rate.

The 2014 final rule, among other things, revised footnote 2 in section VI., Description of Scorecard Measures, in appendix A to subpart A of the assessment regulations to define two terms—“secured financing transactions” (SFTs) and “default fund contribution”—used in the descriptions of the counterparty exposure measures. Due to an inadvertent publishing error, the revisions to the second footnote that were adopted by the FDIC Board on November 18, 2014, and published in the *Federal Register* on November 26, 2014, do not appear in the current version of the Code of Federal Regulations.

⁴ 79 FR 70427 (Nov. 26, 2014).

This technical amendment replaces the footnote that appears in the Code of Federal Regulations with the version adopted by the FDIC Board in the 2014 final rule. The technical amendment will not affect assessments previously paid by IDIs, or assessments paid by IDIs in the future, because the definitions the FDIC uses to calculate the counterparty exposure measures are the definitions adopted by the FDIC Board in the 2014 final rule.

List of Subjects in 12 CFR Part 327

Bank deposit insurance, Banks, banking, Savings associations.

For the reasons stated in the preamble, the FDIC makes the following correcting amendments to 12 CFR part 327:

PART 327—ASSESSMENTS

1. The authority citation for part 327 continues to read as follows:

Authority: 12 U.S.C. 1813, 1815, 1817-19, 1821.

2. In § 327.16, revise paragraph (a)(1)(ii)(B) to read as follows:

§ 327.16 Assessment pricing methods—beginning the first assessment period after June 30, 2016, where the reserve ratio of the DIF as of the end of the prior assessment period has reached or exceeded 1.15 percent.

(a) * * *

(1) * * *

(ii) * * *

(B) *Definition of loan mix index.* The Loan Mix Index assigns loans in an institution's loan portfolio to the categories of loans described in the following table. The Loan Mix Index is calculated by multiplying the ratio of an institution's amount of loans in a

particular loan category to its total assets by the associated weighted average charge-off rate for that loan category, and summing the products for all loan categories. The table gives the weighted average charge-off rate for each category of loan. The Loan Mix Index excludes credit card loans.

LOAN MIX INDEX CATEGORIES AND WEIGHTED CHARGE-OFF RATE

PERCENTAGES

	Weighted charge-off rate (percent)
Construction & Development	4.4965840
Commercial & Industrial	1.5984506
Leases	1.4974551
Other Consumer	1.4559717
Real Estate Loans Residual	1.0169338
Multifamily Residential	0.8847597
Nonfarm Nonresidential	0.7286274
1-4 Family Residential	0.6973778
Loans to Depository Banks	0.5760532
Agricultural Real Estate	0.2376712
Agriculture	0.2432737

* * * * *

3. In appendix A to subpart A of part 327, revise footnote 2 of the table under the section “VI. Description of Scorecard Measures,” to read as follows:

Appendix A to Subpart A of Part 327—Method to Derive Pricing Multipliers and Uniform Amount

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VI. Description of Scorecard Measures

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² SFTs include repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements. The default fund contribution is the funds contributed or commitments made by a clearing member to a central counterparty’s mutualized loss sharing arrangement. The other terms used in this description are as defined in 12 CFR part 324, subparts A and D, unless defined otherwise in 12 CFR part 327.

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4. In part I of appendix E to subpart A of part 327, revise the table titled “Loan Mix Index Categories and Weighted Charge-Off Rate Percentages” to read as follows:

Appendix E to Subpart A of Part 327—Mitigating the Deposit Insurance Assessment Effect of Participation in the Money Market Mutual Fund Liquidity Facility, the Paycheck Protection Program Liquidity Facility, and the Paycheck Protection Program

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LOAN MIX INDEX CATEGORIES AND WEIGHTED CHARGE-OFF RATE PERCENTAGES

	Weighted charge-off rate percent
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Federal Deposit Insurance Corporation.
Dated at Washington, DC, on October 19, 2020.
James P. Sheesley,
Assistant Executive Secretary.

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