MEMO# 1888

May 11, 1990

FDIC FINALIZES AMENDMENTS TO REGULATIONS CONCERNING PASS-THROUGH INSURANCE

- 1 - May 11, 1990 TO: PENSION MEMBERS NO. 22-90 UNIT INVESTMENT TRUST MEMBERS NO. 26-90 SEC RULES MEMBERS NO. 37-90 RE: FDIC FINALIZES AMENDMENTS TO REGULATIONS CONCERNING PASS-THROUGH INSURANCE ____ The Federal Deposit Insurance Corporation ("FDIC") has approved final amendments to the FDIC's deposit insurance regulations. (See Institute Memorandum to Pension Members No. 1- 90, Unit Investment Trust members No. 1-90 and SEC Rules Committee No. 2-90, dated January 8, 1990.) A copy of the final regulations are attached. The final regulations withdrew the rule proposed last year which would have resulted in unit investment trust deposits being insured on a "pass-through" basis up to $100,000 for the interest of each beneficiary in the deposits. The FDIC indicated that there were "no compelling reasons" for such pass-through and that Congress had expressed concern about such an expansion. Furthermore, the FDIC's recent report to Congress on pass-through deposit insurance noted that units in unit investment trusts are sold to sophisticated investors who are not in need of deposit insurance protection. Based on these reasons, the FDIC withdrew its earlier proposal to extend pass-through insurance to unit investment trust deposits. With regard to deferred compensation plans which qualify under section 457 of the Internal Revenue Code ("457 Plans"), the final regulations provide that 457 Plan deposits will be insured in the amount of $100,000 in the aggregate per employer, regardless of the number of participants. This is a change for accounts previously insured by the FSLIC, which covered 457 Plan accounts on a per-participant basis. However, until January 29, 1992, the FDIC will insure 457 Plan deposits in savings associations for up to $100,000 per participant in the interest of maintaining stable funding for thrift institutions affected by the change from former FSLIC rules. In addition, any 457 Plan time deposits that mature prior to January 29, 1992 and that are - 2 - renewed on the same terms and conditions will continue to be insured on a per-participant basis until the first maturity date after January 29, 1992. W. Richard Mason Assistant General Counsel Attachment