

**MEMO# 1640**

January 8, 1990

## **FDIC PROPOSES AMENDMENTS TO REGULATIONS CONCERNING PASS-THROUGH INSURANCE**

January 8, 1990 TO: PENSION MEMBERS NO. 1-90 UNIT INVESTMENT TRUST MEMBERS NO. 1-90 SEC RULES COMMITTEE NO. 2-90 RE: FDIC PROPOSES AMENDMENTS TO REGULATIONS CONCERNING PASS-THROUGH INSURANCE

\_\_\_\_\_ The Federal Deposit Insurance Corporation ("FDIC") has proposed amendments to its deposit insurance regulations which clarify and define the extent of insurance coverage afforded by the FDIC to deposit accounts maintained with FDIC-insured banks. Set forth below is a summary of the relevant proposals. As stated in the attached release, the FDIC is proposing to withdraw the rule that was proposed last year which would have resulted in unit investment trust deposits being insured on a "pass-through" basis in the amount of up to \$100,000 for the interest of each beneficiary in the deposits. One of the reasons provided for withdrawing the proposed rule is that the FDIC was mandated by Congress to prepare a report of the FDIC's findings and recommendations concerning the pass-through of deposit insurance to individual investors in unit investment trusts. Therefore, the FDIC believes that it would be inappropriate to proceed with the rulemaking until the study has been completed. Depending on the conclusions of the study, the FDIC may repropose the rule to extend pass-through treatment to unit investment trusts. With respect to deferred compensation plans which qualify under section 457 of the Internal Revenue Code ("457 Plan"), the FDIC has proposed to codify its existing staff position that 457 Plan deposits will be insured in the amount of \$100,000 in the aggregate, and will not be insured on a per-participant basis. The proposal is based on the fact that the funds of such plans are required under section 457 to "remain (until made available to the participant or other beneficiary) solely the property and rights of the employer...subject only to the claims of the employer's general creditors." The proposal applies to all deposits that were previously insured by the former FSLIC, which had insured such accounts on a per-participant basis. The comment period for the FDIC's proposed revisions of its regulations expires on February 20, 1990. Please provide me with any comments that you would like included in the Institute's comment letter by February 10, 1990. Amy B. Rosenblum Assistant General Counsel Attachment