



Navigating the Pitfalls of Bank Fees and Services

Bank Fee Analysis Webinar

October 5, 2017



Certified
Treasury
Professional®

This webinar is approved for up to 1.2 CTP/CCM recertification credits by the Association for Financial Professionals

Meet Today's Speakers



Maribeth Farley, Moderator

**Marketing and Relationship Manager
Greenwich Associates**



Dan Gill, Panelist

**Senior Director
Redbridge DTA**



Brice Victor, Panelist

**Senior Treasury Analyst
Tronox**

Today's Session



Account Analysis Standards and Bank Fees



Earnings Credit Rate (ECR)



Service Modifications & Notifications



Account Analysis Accuracy



FDIC Fees



Best Practices



Contact Information

Top Priorities For Finance/ Treasury Departments

Priorities High to Low
↓

Automation

“Standardization of data, automation of data, and process improvements.”

Cost / Bank Fee Reduction

“Reduction of the number of bank accounts we have, and reducing fees with those banks.”

Cash Flow / Liquidity

“We're taking a look at overall liquidity needs and how we finance that, future liquidity needs, and capital structure decisions.”

Technology & Security

“Cyber security is clearly the number one priority and just overall control. That includes the resources and their understanding of the controls, so the combination of technology, procedures and resource understanding, all of that wrapped up together are primary.”

Regulatory / Compliance

“One of the topics that I bring up when I talk with peers is how they manage global banking relationships in a world where regulation and compliance has taken such a significant role and made it even harder.”

Financing

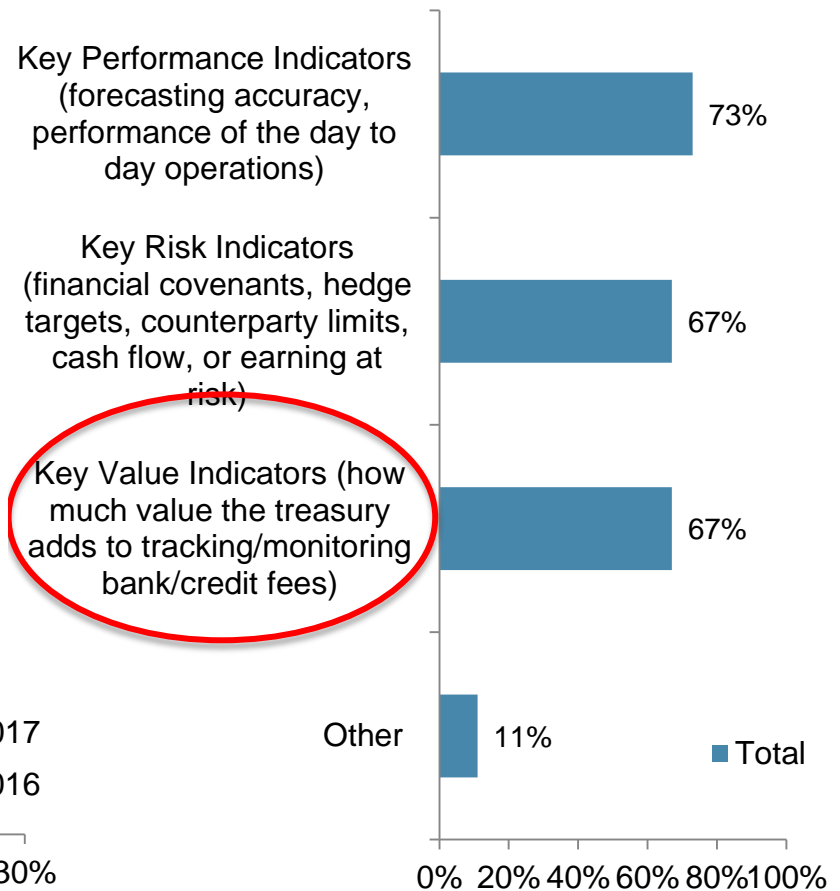
“I would like to work on financing and find a more structured approach to financing.”

Treasurers Focus Most of Their Time on Cash Management/Forecasting and Improving KPIs

Respondent Time Allocation*



Metrics Measuring Treasury Performance**



* Of the following activities, what percentage of your time do you currently spend on:

**Question: What metrics does your treasury group use to measure treasury performance?

Source: United States 2017 Large Corporate Banking

Greenwich Associates

Account Analysis Standards and Bank Fees

Account Analysis Standards And Bank Fees

Standards

- In the U.S.
 - More than 110 banks can deliver 822 Electronic Account Analysis statements
- Internationally
 - ISO 20022 BSB
- AFP Service Codes



Bank Fees

- Fee based method
- Forgo any potential earnings
- Balance Based method - Earning Credit Rates (ECR)





Earnings Credit Rate (ECR)

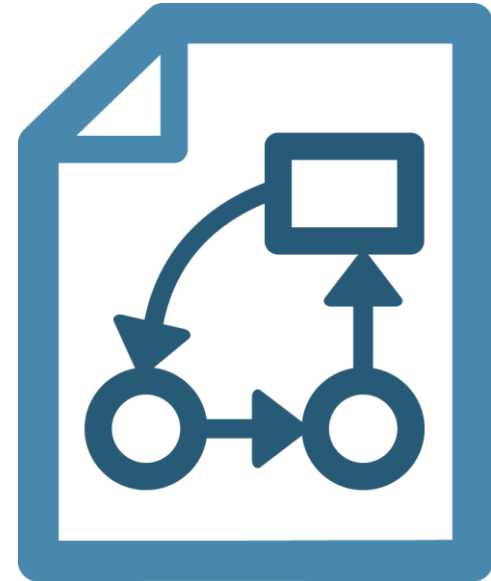


Poll Question

Earnings Credit Rate (ECR) Vs. MM Rate

Invented as a work-around to Regulation Q (Glass-Steagall 1933)

- Banks provided corporates with the ability to “manufacture” interest on cash balances, through the ECR tool. It is also known as ‘soft interest.’
- Corporations could then apply Earnings Credits to offset fees owed to the bank... a corporate-to-corporate agreement.



ECR In Action: Calculating Monthly Earnings Credits

	January 2017
Ledger Balances	\$ 40,000,000.00
Float	\$ --
Collected Balances	\$ 40,000,000.00
ECR Rate (%)	0.25%

Collected Balances * ECR / DIY (365) * DIM (31) | \$40mm * 0.0025 / 365 * 31 = \$8,493.15

	January 2017
Earnings Credits	\$ 8,493.15
Bank Fees	\$ (15,000)
Net Amount Due	\$ (6,506.85)

The bank offers a Money Market account, with a hard interest rate of 0.20%. Which is superior: ECR or MMA rate?

ECR In Action – Let's Do The Math

	January 2017
Ledger Balances	\$ 40,000,000.00
Float	\$ --
Collected Balances	\$ 40,000,000.00
ECR Rate (%)	0.25%

	January 2017
Earnings Credits	\$ 8,493.15
Bank Fees	\$ (15,000)
Net Amount Due	\$ (6,506.85)

	January 2017
Bank Fees	\$ (15,000)
FDIC Equivalent (12bps)	0.12%
FDIC Fees	\$ (4,076.71)

Of the \$15k in bank fees, \$4,076.71 is tied specifically to your ledger balance.

What is the real yield that was earned on balances?

Earnings Credits: $\$40\text{mm} * 0.0025 / 365 * 31 = \$8,493.15$

FDIC Fees: $\$40\text{mm} * 0.0012 / 365 * 31 = \$4,076.71$

Effective Interest: $\$8,493.15 - \$4,076.71 = \$4,416.44$

True Yield (ECR): $\$4,416.44 / \$40,000,000 * 365 / 31 = 0.13\%$

ECR In Action: The Bottom Line

	January 2017
Ledger Balances	\$ 40,000,000.00
Float	\$ --
Collected Balances	\$ 40,000,000.00
ECR Rate (%)	0.25%

	January 2017
Earnings Credits	\$ 8,493.15
Bank Fees	\$ (15,000)
Net Amount Due	\$ (6,506.85)

The bank offers a Money Market account, with a hard interest rate of 0.20%. Which is superior: ECR or MMA rate?

ECR: **0.25%** —————> True ECR: **0.13%**

Vs.

MMA Rate: 0.20%

ECR – A Deeper Look

	January 2017
Ledger Balances	\$ 40,000,000
Float	\$ --
Collected Balances	\$ 40,000,000
ECR Rate (%) (Based on Collected Balances)	0.25%
Earnings Credits	\$ 8,493.15
Bank Fees	\$ (15,000.00)
Net Amount Due	\$ (6,506.85)
Bank Fees	\$ (15,000.00)
FDIC Equivalent (12bps)	0.12%
FDIC Fees (Based on Ledger Balances)	\$ (4,076.71)

	January 2017
Ledger Balances	\$ 70,000,000
Float	\$ 30,000,000
Collected Balances	\$ 40,000,000
ECR Rate (%) (Based on Collected Balances)	0.25%
Earnings Credits	\$ 8,493.15
Bank Fees	\$ (15,000.00)
Net Amount Due	\$ (6,506.85)
Bank Fees	\$ (18,057.00)
FDIC Equivalent (12bps)	0.12%
FDIC Fees (Based on Ledger Balances)	\$ (7,134.25)

Earnings Credits: $\$40\text{mm} * 0.0025 / 365 * 31 = \underline{\$8,493.15}$

FDIC Fees: $\$40\text{mm} * 0.0012 / 365 * 31 = \underline{\$4,076.71}$

Effective Interest: $\$8,493.15 - \$4,076.71 = \$4,416.44$

True Yield (ECR): $\$4,416.44 / \$40,000,000 * 365 / 31 = 0.13\%$

Earnings Credits: $\$40\text{mm} * 0.0025 / 365 * 31 = \underline{\$8,493.15}$

FDIC Fees: $\underline{\$70\text{mm}} * 0.0012 / 365 * 31 = \underline{\$7,134.25}$

Effective Interest: $\$8,493.15 - \$7,134.25 = \$1,358.90$

True Yield (ECR): $\$1,358.90 / \$40,000,000 * 365 / 31 = 0.04\%$

ECR – A Deeper Look, Conclusion

	January 2017
Ledger Balances	\$ 70,000,000
Float	\$ 65,000,000
Collected Balances	\$ 5,000,000
ECR Rate (%) (Based on Collected Balances)	0.25%
Earnings Credits	\$ 1,061.64
Bank Fees	\$ (15,000.00)
Net Amount Due	\$ (13,938.85)
Bank Fees	\$ (18,057.00)
FDIC Equivalent (12bps)	0.12%
FDIC Fees (Based on Ledger Balances)	\$ (7,134.25)

Earnings Credits: $\$5\text{mm} * 0.0025 / 365 * 31 = \underline{\$1,061.64}$

FDIC Fees: $\underline{\$70\text{mm}} * 0.0012 / 365 * 31 = \underline{\$7,134.25}$

Effective Interest: $\$1,061.64 - \$7,134.25 = \$(6,072.60)$

True Yield (ECR): $\$(6,072.60) / \$5,000,000 * 365 / 31 = (0.14\%)$



Service Modifications & Notifications

Service Modifications & Notifications

PRODUCT LINE AND DESCRIPTION		BANK SERVICE CODE	AFP SERVICE CODE	UNIT PRICE (\$)	VOLUME	SERVICE CHARGE (\$)	BALANCE EQUIVALENT (\$)	FEE-BASED CHARGES (\$)
DISBURSEMENT SERVICES								
CHECKS/DEBITS POSTED	✓	02285	✓ 010100	.1000	343	34.30	75,876	.00
CONT DISB FUNDING TRANSFER	✓	05234	✓ 010112	.7000	44	30.80	68,133	.00
CHECK PHOTOCOPY RETRIEVAL	✓	01030	✓ 010610	15.0000	14	210.00	464,545	.00
CONT DISB MAINTENANCE	✓	02205	✓ 150000	100.0000	1	100.00	221,212	.00
CONT DISB CHECKS PAID	✓	02210	✓ 150110	.1600	643	102.88	227,583	.00
STOP PAYMENT AUTOMATIC RENEWAL	✓	02338	✓ 150510	4.0000	12	48.00	106,182	.00
OFFICIAL CHECKS	✓	02325	✓ 150511	10.0000	1	10.00	22,121	.00
IMAGE RETENTION PER ITEM	✓	03495	✓ 159999	.0300	620	18.60	41,145	.00
PWS EXT PAID CHECK RETN 84 MO	✓	06634	✓ 159999	.0500	620	31.00	68,576	.00
PWS CHECK SERVICES MAINTENANCE	✓	06618	✓ 999999	35.0000	1	35.00	0	.00
PWS RECON REPORTS/STATEMENTS	✓	06620	✓ 999999	.0000	1	.00	0	.00
PWS EMAIL EXCEPT NOTIF	✓	06625	✓ 999999	10.0000	1	10.00	22,121	.00
PWS EXTENDED REPORT RETENTION	✓	06626	✓ 999999	.0000	7	.00	0	.00
SUBTOTAL						630.58	1,317,495	

Service Modifications & Notifications

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CHECK PHOTOCOPY RETRIEVAL	✓	01030	✓ 010610	15.0000	14	210.00	464,545	.00
CONT DISB MAINTENANCE	✓	02205	✓ 150000	100.0000	1	100.00	221,212	.00
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OFFICIAL CHECKS	✓	02325	✓ 150511	10.0000	1	10.00	22,121	.00
IMAGE RETENTION PER ITEM	✓	03495	✓ 159999	.0300	620	18.60	41,145	.00
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PWS CHECK SERVICES MAINTENANCE	✓	06618	✓ 999999	35.0000	1	35.00	0	.00
PWS RECON REPORTS/STATEMENTS	✓	06620	✓ 999999	.0000	1	.00	0	.00
PWS EMAIL EXCEPT NOTIF	✓	06625	✓ 999999	10.0000	1	10.00	22,121	.00
PWS EXTENDED REPORT RETENTION	✓	06626	✓ 999999	.0000	7	.00	0	.00
SUBTOTAL						630.58	1,317,495	
DISBURSEMENT SERVICES								
CHECK / DEBIT POSTED	✓	02285	✓ 010100	.1000	541	54.10	119,676	.00
CONTROLLED DISB FUNDING	✓	05234	✓ 010112	.7000	44	30.80	68,133	.00
CONTROLLED DISB ACCT MAINT	✓	02205	✓ 150000	100.0000	1	100.00	221,212	.00
CONTROLLED DISB CHECK POSTED	✓	02210	✓ 150110	.1600	591	94.56	209,178	.00
STOP PAYMENT AUTOMATIC RENEWAL	✓	02338	✓ 150510	4.0000	4	16.00	35,394	.00
IMAGE STORAGE PER ITEM	✓	03495	✓ 159999	.0300	1,376	41.28	91,051	.00
PWS EXT PAID CHECK RETN 84 MO	✓	06634	✓ 159999	.0500	1,376	68.80	151,751	.00
DATA DOWNLOAD	✓	06641	✓ 200201	20.0000	112	2,240.00	4,778,181	.00
ISSUE INPUT UPLOAD	✓	06644	✓ 200201	1.0000	4	4.00	8,848	.00
PWS CHECK INQUIRY MAINTANANCE	✓	06618	✓ 999999	5.0000	144	720.00	0	.00
PWS RECON REPORT/STMT MAINT	✓	06620	✓ 999999	.0000	147	.00	0	.00
PWS EXCEPTION NOTIF-ACCT	✓	06625	✓ 999999	10.0000	48	480.00	1,061,818	.00
PWS EXTENDED REPORT RETENTION	✓	06626	✓ 999999	.0000	1,071	.00	0	.00
SUBTOTAL						3,849.54	6,745,243	

Service Modifications & Notifications

Beginning with October 2013 account activity (reflected on November 2013 statement), the following changes will go into effect for Core DD Services.

Changes

Price Increase
Notification:

* Due to significant increases in the cost of printing and mailing hard copy account statements, the following services' costs will increase to \$15.00 each monthly:

- Service Code 25021002 Cut Off Statements (AFP Code 010320)
- Service Code 25021100 Regular Statements (AFP Code 010310)
- Service Code 81204276 Duplicate Statements (AFP Code 010319)

Fee Avoidance
Notification:

To avoid the increases, clients can choose to receive statements as PDF files delivered electronically through TreasuryEdge, BAI, Data Exchange, SWIFT, or on CD-ROM. Please contact your BNY Mellon Treasury Services Relationship Officer for more information about these options.

Name Change
Notification:

* New names and/or service codes will be assigned to existing services. The charge for these services will remain unchanged.

- Current: Service Code 77003355 Account Maintenance
New: Service Code 20181036 Account Maintenance
- Current: Service Code 77008780 Requested DDA Statements
New: Service Code 25021002 Cut Off Statements
- Current: Service Code 77008772 Additional DDA Bank Statements (AFP Code 010320)
New: Service Code 25021100 Regular Statements (AFP Code 010310)
- Current: Service Code 77008799 Duplicate DDA Bank Statements (AFP Code 010320)
New: Service Code 81204276 Duplicate Statements (AFP Code 010319)
- Current: Service Code 77000500 Ledger Overdraft (AFP Code 000202)
New: Service Code 81206422 Daily Overdraft Fee (AFP Code 000212)
Note: This service will be billed on a per business-day basis, but the charge for this transaction will remain unchanged.
- Current: Service Code 77001042 Deposit Tickets Processed Per Account
New: Service Code 81211442 Deposits

Service Modifications & Notifications

Fee changes effective January 1, 2016, for your enclosed billing accounts

Dear Customer:

Like many businesses, we periodically review the fees we charge for our products and services. Sometimes we need to adjust our fees to ensure we can continue offering innovative services and exceptional support for all of our customers. On January 1, 2016, we're implementing some changes to deposit and Treasury Management fees that will affect your accounts.

What you need to know

The enclosed reports replace previous fee information for this billing account and any related accounts. These reports don't include fees for all of your services — only those with fee or projected volume changes and some others that aren't changing but we want to be sure you know about.

				Current		Projected	
Svc	AFP	Service Description	Tier	Unit Price	Tier	Unit Price	
Code	Code						
DEPOSITORY SERVICES							
07030	10 0000	ATM - DEPOSITED CHECKS		\$0.12000		\$0.16000	
08007	10 0110	NON-VERIFIED ENVELOPE PROCESSING		\$0.36000		\$0.75000	
CK765	10 0111	COIN PROCESSING - MIXED BAG		\$7.50000		\$9.00000	
CK771	10 0014	COIN BAG DEPOSITS IN WF STORE		\$6.00000		\$8.00000	
CK781	10 0014	COIN DEPOSITED HALF BAGS		\$0.00000		\$4.50000	
CK791	10 0012	COIN DEPOSITED PARTIAL/MIXED BAGS		\$0.00000		\$12.00000	
GENERAL ACCOUNT SERVICES							
09625	01 0700	DEP ACT CON AGMT SIMPLE SETUP/AMEND		\$0.00000		\$750.00000	
09626	01 0700	DEP ACT CON AGMT COMPLX SETUP/AMEND		\$0.00000		\$1,500.00000	
CK030	01 0410	CLIENT ANALYSIS STATEMENT-PAPER		\$0.00000		\$3.00000	
CK040	01 0413	CLIENT ANALYSIS STATEMENT-DUPLICATE		\$7.50000		\$10.00000	
GENERAL ACH SERVICES							
ES341	25 0720	ACH REJECT NOTIFICATION		\$25.00000		\$40.00000	
ES346	25 0622	ACH EXCEPTION PROCESS-DUPPLICAT FILE		\$25.00000		\$40.00000	
ES362	25 0311	ACH RETURN ITEM - DISHONORED		\$3.50000		\$5.50000	
ES371	25 1070	ACH WELLS FARGO NOC - TRANS ADVICE		\$0.00000		\$3.00000	
ES390	25 1070	ACH WELLS FARGO NOC-INFO REPT ADVIC		\$0.00000		\$3.50000	
ES391	25 1070	ACH WELLS FARGO NOC - FAX ADVICE		\$0.00000		\$5.00000	
ES392	25 1070	ACH WELLS FARGO NOC - MAIL ADVICE		\$0.00000		\$8.00000	



Account Analysis Accuracy



Can You Find the Error?

Account Analysis Accuracy – Situation 1

The account analysis we receive each month from all of our banks are mostly, if not completely, accurate; it is a waste of my team's time to monitor and review them

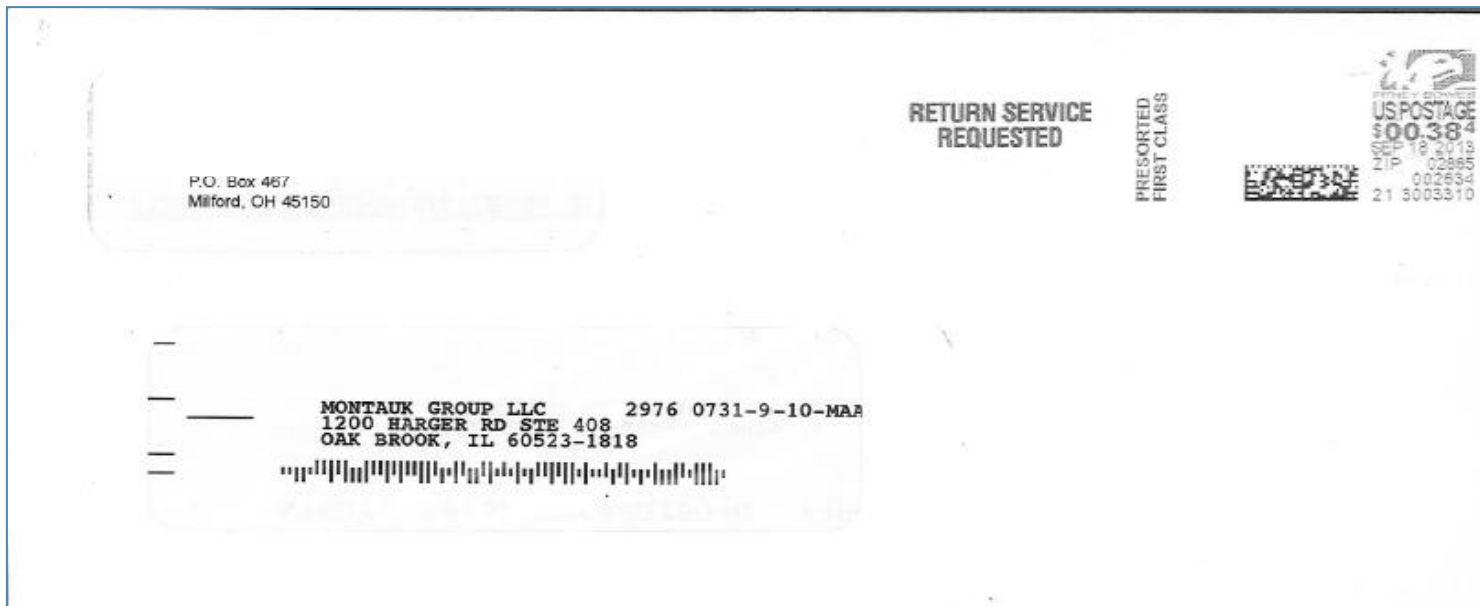
Group / Service Name	Volume	Price	Total Cost
INFORMATION SERVICES			
SWIFT MT-OUTGO PDR BAL REPT	1	.0000	.00
SWIFT MT-OUTGO PDR DET REPT	1	.0000	.00
SWIFT MT-OUTGO PDR PER ITEM	1	.0000	.00
DIRECT PREVIOUS DAY ACCT	10	20.0000	200.00
DIRECT CURRENT DAY ACCT	10	25.0000	250.00
DIRECT PREVIOUS DAY MAX ITEM	2	.1500	.30
DIRECT CURRENT DAY STD ITEM	564	.2200	124.08
DIRECT PREVIOUS DAY EXT ITEM	500	.1200	60.00
BUS SUITE ACCT MGMT SERVICES	2	15.0000	40.00
SWIFT MT-OUTGO CDR DET RPT	11	.0000	.00
SWIFT MT-OUTGO CDR PER ITEM	686	.0000	.00

$$2 * \$15.00 = \$40.00 ??$$

Account Analysis Accuracy: Situation 2

Service

Code	Group / Service Name	Volume	Price	Total Cost
	<u>CHECK ISSUANCE</u>			
77007342	CHECK ISSUANCE-FIXED	1	60.000	60.00
77030034	CHECK ISSUANCE SAME DAY ITEMS	11,360	0.190	2,158.40
81243506	CW-PPD REMITTANCE PAGES	3,613	0.0775	280.01
77204407	CHECK ISSUANCE SPECIAL HANDLING	3	0.500	1.50
81243522	CHECK ISSUANCE POSTAGE	12,091	0.395	4,775.95
77010300	CHECK ISSUANCE FOREIGN ITEMS	143	0.705	100.82
	TOTAL CHECK ISSUANCE			7,376.68



Account Analysis Accuracy

ACCOUNT ANALYSIS:

CHECK ISSUANCE POSTAGE	12,091	\$0.395	\$4,775.95
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TRUE COST:

CHECK ISSUANCE POSTAGE	12,091	\$0.384	\$4,642.94
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MONTHLY DIFFERENCE: \$ 133.01

ANNUAL DIFFERENCE: \$1,596.12

Account Analysis Accuracy – Client Case

Example 1 background

- Industrial – based in Ohio
- One primary cash management bank
- Gross cash management fees of \$500k/year
- Completed major acquisition in 2012 – included difficult operational integration
- Luckily the same bank!



Account Analysis Accuracy – Client Case, Cont'd

Sent: Wednesday, February 27, 2013 3:33 PM

To:

Cc:

Subject: RE: [REDACTED] - Account Analysis

Hi [REDACTED]

- Also in Kristin's presentation there is an indicator that their negotiated pricing will be applied to our accounts. Can you confirm that it will be applicable on the February billing?

Yes, billing id #: XX will have their pricing as of February 2013.

Thank you,

Mel

Mel

Senior Treasury Analyst

Account Analysis Accuracy – Client Case, Cont'd

- Client then hired a 3rd party – in 2016 - to perform a bank fees and services optimization
- Upon historical review, neither pricing nor ECR was ever normalized – found 3 years later!

INCONSISTENCIES FOR REVIEW AND CREDIT		
Group Name	# of Cases	One-Time Credit Amount (\$)
Inconsistent Price	46	\$23,850.81
Inconsistent ECR	7	\$10,209.13

- Annual impact: \$34,000
- Where does the fault lie? What happened next?

Account Analysis Accuracy – Client Case

Example 2 Background

- Insurance company (top 5)
- Seven cash management banks
- Gross cash management fees of \$10.5mn/year
- One disbursement bank used for 5 million annual checks disbursements
- Received file from bank with all check information – used in the reconciliation tool
- Also paying for online check image
- In addition to the file of check information, the company was paying \$0.25 per check image
- Treasurer instructed bank to turn off images
- The person responsible for monitoring bank fees left the company – replaced by someone else
- Two years later, the existing RM left the bank, and was replaced by a new one
- Upon review, the new RM asked the Treasurer why they were paying for online images, especially with the check image file being sent as well?
- What happened next??



Account Analysis Accuracy – Client Case

Example 2 Conclusion

- Treasurer was livid – presented the signed instruction to turn off the service
- Impact was \$1.25mn per year – for 2.5 years
- Bank claimed that the client should have been on top of their account analyses. Bonuses paid; revenue reported.
- How did it end? **\$1.25mn retroactive credit**

Possible violations

- Arithmetic
- Agreed rate/price is not provided
- Accounts believed to be closed are generating fees
- New accounts set up with “standard” pricing
- Services added without approval





FDIC Fees

FDIC Fees – History

The FDIC fee charged by our banks is a straight pass-through for them

The first turning point

- Pre-2008: Federal government insurance provided up to \$100,000 per legal entity
- In 2008: Federal government insurance increased to \$250,000 per legal entity
- In 2009: Transaction Account Guarantee Program (TAGP) provides for balances to be insured to any amount
- Not all banks passed through a fee: 7,300+ banks for which FDIC insures deposits, however, 5% of banks do not pass through any fee associated with FDIC

Cost to banks

Banks paid fees to the FDIC based on the corporate balances that were kept by corporate clients on the banks' books

Cost to corporate clients

Assessed against entire ledger balances by the bank's FDIC rate / factor, but still only insured up to \$250,00

Cost to most corporate clients

No change – still assessed against entire ledger balance, by the bank's FDIC rate/factor

FDIC Fees – History, Cont'd

The second turning point

- 2012: The FDIC modified the cost to banks for FDIC insurance to its clients:
 - It was a balance-based assessment
 - Changed to a non-public risk-based assessment, determined by each bank's balance sheet and other risk associated factors
- FDIC releases FIL-33-2012 on July 9, 2012, which states:

Cost to most corporate clients
No change – still assessed against entire ledger balances by the bank's FDIC rate/factor, but still only insured up to \$250,000

FDIC has received complaints from depositors that banks are charging them an "FDIC assessment" or similarly described fee.

While banks are not prohibited for charging a fee for their own costs, the FDIC discourages banks from specifically designating that a customer fee is for insurance or from implying that the FDIC is charging such a fee.

By characterizing fees in this way, banks may (1) reveal information that could be used to determine a bank's confidential supervisory ratings, and (2) mislead customers into believing that the FDIC explicitly charges the banks' customers for deposit insurance, or requires banks to charge for insurance, or both.

FDIC Federal Deposit Insurance Corporation 500 17th Street NW, Washington, D.C. 20429-9990	Financial Institution Letter FIL-33-2012 July 9, 2012
Caution Regarding Passing Deposit Insurance Assessment Fees on to Customers	
Summary: The FDIC has become aware that certain insured depository institutions (IDIs) are charging customers an "FDIC fee" or similarly described fee, apparently to compensate the IDI for some or all of its FDIC deposit insurance assessment costs. This Financial Institution Letter (FIL) communicates the FDIC's concerns and expectations when IDIs assess these types of fees.	
Statement of Applicability to Institutions Under \$1 Billion in Total Assets: This FIL applies to all insured financial institutions, including those with under \$1 billion in assets.	
Distribution: All FDIC-insured institutions Suggested Routing: Chief Executive Officer Chief Operations Officer Chief Compliance Officer	Highlights: <ul style="list-style-type: none"> • The FDIC has received a number of complaints from depositors stating that IDIs are charging them an "FDIC Fee," "FDIC Assessment," "FDIC Insurance Premium," "FDIC Insurance Charge," or similarly described fee for deposit insurance. • While IDIs are not prohibited from passing the costs of deposit insurance on to customers, the FDIC discourages institutions from specifically designating that a customer fee is for deposit insurance or from stating or implying that the FDIC is charging such a fee. • Institutions that characterize fees in this manner may (1) reveal information that could be used to determine an institution's confidential supervisory ratings, (2) mislead customers into believing that the FDIC charges IDI customers or requires IDIs to charge customers for deposit insurance, or both. • Institutions should review their designation and identification of fees and ensure that those fees do not reveal confidential supervisory information or mislead customers.
Related Topics: FDIC Operational Regulations Governing Disclosure of Information, 12 C.F.R. Part 309 FDIC Operational Regulations Governing the Assessment Process, 12 C.F.R. Part 327	
Contacts: Martin Becker, Senior Consumer Affairs Specialist, Division of Depositor and Consumer Protection, (703) 254-0223; Christopher Bellino, Counsel, Legal Division, (202) 898-3801; Jeffrey L. Owens, Manager, Assessment Policy Section, Division of Finance, (703) 462-4163; or Christine Bradley, Senior Policy Analyst, Division of Insurance and Research, (202) 898-6951	
Note: FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at http://www.fdic.gov/news/financial/2012/fil33.htm . To receive FILs electronically, visit http://www.fdic.gov/about/subscriptions/fil.html	
Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22206 (877-275-3342 or 703-462-2200).	

FDIC Fees – Results

Banks have begun to be more upfront with corporate clients

THE SERVICE DESCRIPTION “PREMIUM ASSESSMENT FEE” ON YOUR BILL HAS BEEN CHANGED TO “BALANCE BASED CHARGES.” IT IS A MONTHLY FEE ASSESSED AGAINST CLIENT DEPOSITS TO ASSESS AFFECTING YOUR BANK IN CONNECTION WITH THE MAINTENANCE OF DEPOSITS. IT IS SET BY THE BANK AND IS SUBJECT TO PERIODIC REVIEW AND ADJUSTMENT. THE BANK IS NOT CHANGING THE RATE CHARGED TO YOU AT THIS TIME.

FDIC Fees – Recap

- For banks that assess it, corporate clients continue to pay an implied insurance fee associated with their deposits
- The banks assessing the fee do not actually pay a fee to the FDIC that is based on the balances held by their depositors
- While the FDIC does not want to specifically tell banks what they should charge for and how to assess the charge or fee, they do want to be sure not to implicate themselves as part of any charge or fee when they are not the cause
- This fee, when charged by banks, is typically calculated based on the full ledger balance amount (which can be much higher than collected balances, which is what earnings credits are applied to)
- Only balances up to \$250,000, per entity are actually insured



Best Practices

- Review Your Account Structure - Dormant accounts can accumulate fees
- Ask for a separate invoice for fees and avoid auto-deduction, if possible
- Automate! - Using 822 files to find mistakes can pay for the system many times over
- Ensure your service code conforms to the updated AFP standard service code
- Negotiate & set up explicit bank fees agreement with each bank - Listing services & costs per service makes the bank contractually obligated to follow the rates
- Benchmark your bank's service fee data
- Maintain an active rate table for all banks fees as a reference point
- Understand each line item "code" - Ask each bank for a list of code descriptions
- Compare current & historical data to uncover discrepancies
- Get as much information as possible on international accounts
- Be diligent in following up with banks on any discrepancies and keep Management team in the loop
- Understand and track FDIC charges



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