

ungraded wage schedule, or are in different pay method categories.

Reassignment means a change of an employee, while serving continuously within the same agency, from one position to another consistent with the provisions of part 335 of this chapter.

Reemployed annuitant means an employee whose annuity under subchapter III of chapter 83, or subchapter II or V of chapter 84 of title 5, United States Code, continued on reemployment in an appointive position on or after October 1, 1956.

Register means a list of qualified applicants in order of relative standing for certification. A register is sometimes referred to as an inventory.

Reinstatement means the noncompetitive reemployment of a former career or career-conditional employee into the competitive service.

Senior Executive Service has the same meaning as 5 U.S.C. 2101a.

Status quo employee means an employee who failed to acquire a competitive status when the position in which the employee was serving was placed in the competitive service by a statute, Executive order, or Civil Service rule that permitted the employee's retention without the acquisition of status.

Tenure means the period of time an employee may reasonably expect to serve. It is determined by the type of appointment under which the employee is serving without regard to whether the employee has competitive status or whether the employee's appointment is in a competitive position or in an excepted position.

Transfer means a change of an employee, without a break in service of 1 full workday, from a position in one agency to a position in another agency.

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FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 330

RIN 3064-AC54

Deposit Insurance Regulations; Living Trust Accounts

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice of proposed rulemaking.

SUMMARY: The FDIC is publishing for notice and comment alternative proposed rules to amend its deposit insurance regulations. The purpose of the rulemaking is to clarify and simplify

the regulations on the insurance coverage of living trust accounts.

DATES: Written comments must be received by the FDIC not later than August 29, 2003.

ADDRESSES: All comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments/Legal ESS, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429. Comments may be hand-delivered to the guard station located at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m. (fax number: (202) 898-3838; or send by email to comments@FDIC.gov). Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, NW., Washington, DC 20429, between 9 a.m. and 4:30 p.m. on business days, and the FDIC may post the comments on its Internet site at <http://www.fdic.gov/regulations/laws/federal/propose.html>.

FOR FURTHER INFORMATION CONTACT:

Joseph A. DiNuzzo, Counsel, Legal Division (202) 898-7349; Martin W. Becker, Senior Receivership Management Specialist, Division of Resolutions and Receiverships (202) 898-6644; or Kathleen G. Nagle, Supervisory Consumer Affairs Specialist, Division of Supervision and Consumer Protection (202) 898-6541, Federal Deposit Insurance Corporation, Washington, DC 20429.

SUPPLEMENTARY INFORMATION:

I. Background

One of the FDIC's paramount goals in the area of deposit insurance is to ensure that depositors and insured depository institution employees understand the FDIC's deposit insurance rules. To that end, in July 1998, after an extensive review of the existing rules for deposit insurance coverage, the FDIC simplified its entire deposit insurance regulations. Also, in April 1999, the FDIC amended the rules for the insurance coverage of joint accounts and payable-on-death accounts to make them more easily understood.

Despite the FDIC's efforts to simplify and clarify the deposit insurance regulations, there is still significant public and industry confusion about the insurance coverage of living trust accounts. At recent depository institution failures there has been a disproportionately high percentage of uninsured living trust deposits, when compared to the percentage of uninsured deposits in other categories of coverage. The FDIC receives numerous calls daily from bankers,

members of the public and industry representatives indicating their misunderstanding of the coverage for living trust accounts. As discussed below, the confusion among bankers and the public about the insurance coverage of living trust accounts is understandable.

A living trust is a formal revocable trust created by an owner (also known as a grantor) and over which the owner retains control during his or her lifetime. Upon the owner's death, the trust generally becomes irrevocable. A living trust is an increasingly popular probate instrument designed to achieve specific estate and tax planning goals. A living trust account is subject to the FDIC's insurance rules on revocable trust accounts. Section 330.10 of the FDIC's regulations (12 CFR 330.10) provides that revocable trust accounts are insured up to \$100,000 per "qualifying" beneficiary designated by the owner of the account. If there are multiple owners of a living trust account, coverage is available separately for each owner. Qualifying beneficiaries are defined as the owner's spouse, children, grandchildren, parents and siblings (12 CFR 330.10(a)).

The most common type of revocable trust account is the "payable-on-death" ("POD") account, sometimes referred to as a *Totten Trust* account, comprised simply of a signature card on which the owner designates the beneficiaries to whom the funds in the account will pass upon the owner's death. The per-beneficiary coverage available on revocable trust accounts is separate from the insurance coverage afforded to any single-ownership accounts held by the owner or beneficiary at the same insured institution. That means, for example, if an individual has at the same insured bank or thrift a single-ownership account with a balance of \$100,000 and a POD account (naming at least one qualifying beneficiary) with a balance of \$100,000, both accounts would be insured separately for a combined amount of \$200,000. If the POD account names more than one qualifying beneficiary, then that account would be separately insured for up to \$100,000 per qualifying beneficiary (12 CFR 330.10(a)).

Separate, per-beneficiary insurance coverage is available for revocable trust accounts only if the account satisfies certain requirements. First, the title of the account must include a term such as "in trust for" or "payable-on-death to" (or corresponding acronym). Second, each beneficiary must be either the owner's spouse, child, grandchild, parent or sibling. Third, the beneficiaries must be specifically named