Tab 5: Committee Briefs

Finance & Audit Committee
ERCOT Public
December 10, 2012

Committee Education

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-45-2012
November 5, 2012

NOTICE OF EXPIRATION: TEMPORARY UNLIMITED COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS

Summary: Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts (NIBTAs), including Interest on Lawyer Trust Accounts, is scheduled to expire on December 31, 2012. Absent a change in law, beginning January 1, 2013, the FDIC no longer will provide separate, unlimited deposit insurance coverage for NIBTAs at insured depository institutions (IDIs). IDIs are encouraged to take reasonable steps to provide adequate advance notice to NIBTA depositors of the changes in FDIC insurance coverage so that they may consider the impact of any change in coverage in their management of these transaction accounts.

Statement of Applicability to Institutions Under $1 Billion in Total Assets: This Financial Institution Letter (FIL) applies to all IDIs, including those with under $1 billion in assets.

Distribution:
FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Head of Deposit and Branch Operations
Chief Compliance Officer
Training Officer

Related Topics:
Deposit Insurance Regulations (12 C.F.R Part 330)

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Catherine Ribnick, Counsel, at cribnick@fdic.gov

For questions about Call Reports, call 800-688-3342 or email insurance-research@fdic.gov.

Note:
FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at http://www.fdic.gov/news/news/financial/2012/.

To receive FILs electronically, please 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 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

Section 343 of the Dodd-Frank Act provides separate, unlimited FDIC coverage for NIBTA depositors through December 31, 2012. Beginning January 1, 2013, the FDIC will insure NIBTAs in accordance with 12 C.F.R. Part 330, which generally provides each depositor up to $250,000 in coverage at each separately chartered IDI.

Some NIBTA depositors may not be aware of the reduction in coverage. To ensure NIBTA depositors receive adequate advance notice of this insurance coverage change, we encourage IDIs to:

- Provide NIBTA depositors adequate advance notice in writing that the temporary unlimited coverage for NIBTA deposits is scheduled to expire on December 31, 2012, and thereafter the FDIC will insure NIBTAs up to $250,000 per depositor. (Model notice language is attached.)
- Remove from their main offices, branches, and Web sites the “Notice of Changes in Temporary FDIC Insurance Coverage for Transaction Accounts” required by 12 C.F.R. § 330.16(c)(1).
- Review NIBTA account agreements and related disclosure statements, and modify the documents as necessary to reflect accurately NIBTA coverage on January 1, 2013.

FDIC has posted frequently asked questions and answers regarding NIBTA coverage at http://www.fdic.gov/deposit/deposits/unlimited/expiration.html.

Call Report items and instructions for NIBTAs will remain in effect for the December 31, 2012 Call Report. (See below for more information.)

Additional guidance will be provided if Congress modifies coverage for NIBTAs.

Financial Institution Letter
FIL-45-2012
November 5, 2012

NOTICE OF EXPIRATION: TEMPORARY UNLIMITED COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS

Background

Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and 12 C.F.R. § 330.16 provide temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts (NIBTAs), including Interest on Lawyer Trust Accounts (IOLTAs) from December 31, 2010 through December 31, 2012. This unlimited coverage for NIBTAs is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured depository institution (IDI).

Absent a change in law, effective January 1, 2013, noninterest-bearing transaction accounts no longer will be insured by the FDIC as a separate ownership category. Thereafter, NIBTA deposits at an IDI will be aggregated with any other deposits held by the same person in the same ownership category, with the total insured up to the standard maximum deposit insurance amount, which currently is $250,000.

The FDIC is issuing this Financial Institution Letter (FIL) to (1) provide IDIs with guidance regarding the removal of all notices posted in IDIs' main offices, branches, and Web sites pursuant to 12 C.F.R. § 330.16(c)(1), which describe the temporary unlimited coverage for NIBTAs; and (2) encourage IDIs to provide adequate advance notice to NIBTA depositors of the pending reduction in FDIC deposit insurance coverage beginning January 1, 2013.

Additional guidance will be provided if Congress modifies coverage for NIBTAs.

Removal of 12 C.F.R. § 330.16(c)(1) Notices

Under 12 C.F.R. § 330.16(c)(1), all IDIs were required to post a "Notice of Changes in Temporary FDIC Insurance Coverage For Transaction Accounts" in their main offices, branches, and on their Web sites to advise depositors about the temporary nature of the unlimited deposit insurance coverage for NIBTAs. Because this temporary coverage will expire at year-end, IDIs should remove these notices from their main offices, branches, and Web sites, and should remove any other notices they may have made available to customers, no later than January 2, 2013.

Reminder to NIBTA Depositors of the Expiration of Temporary Full Deposit Insurance Coverage for Noninterest-Bearing Transaction Accounts

Although the Dodd-Frank Act imposes no specific notice requirement for IDIs in connection with the expiration of temporary unlimited coverage for NIBTAs, we encourage IDIs, as a matter of prudent commercial practice, to remind their NIBTA depositors about the pending expiration

and the impact that expiration will have on their deposit insurance coverage. IDIs may use any reasonable method of providing reminders to depositors, such as individual written notices to each NIBTA depositor or notices on regular account statements. IDIs may use electronic mail for depositors who ordinarily receive account information in this manner.

Below is model language for such a notice to NIBTA depositors:

NOTICE OF EXPIRATION OF THE TEMPORARY FULL FDIC INSURANCE COVERAGE FOR NONINTEREST-BEARING TRANSACTION ACCOUNTS

> By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category.

For more information about FDIC insurance coverage of noninterest-bearing transaction accounts, visit http://www.fdic.gov/deposit/deposits/unlimited/expiration.html

Alternatively, institutions placing a notice on regular account statements with space limitations may wish to utilize a shorter notice to NIBTA depositors, such as:

> **NOTICE:** By federal law, as of 1/1/2013, funds in a noninterest-bearing transaction account (including an IOLTA/IOLA) will no longer receive unlimited deposit insurance coverage, but will be FDIC-insured to the legal maximum of $250,000 for each ownership category. For more information, visit
> http://www.fdic.gov/deposit/deposits/unlimited/expiration.html

The FDIC encourages IDIs to be proactive in reminding NIBTA depositors of the scheduled expiration. Reminders should be provided to NIBTA depositors sufficiently in advance of the insurance coverage change so depositors have adequate time to consider the impact of any change in coverage in their management of these transaction accounts.

Review of Account Agreements and Disclosure Statements

Some IDIs may have amended their deposit account agreements and disclosure statements for NIBTAs to include information about the temporary unlimited deposit insurance coverage for these deposits. To ensure that NIBTA account agreements and disclosure statements provided to new IDI depositors accurately reflect the change in coverage as of January 1, 2013, IDIs should review all of their account agreements and disclosure statements used in connection with NIBTA deposits to ensure that these documents accurately reflect FDIC insurance coverage for these accounts as of January 1, 2013. IDIs should complete this review and make necessary adjustments to NIBTA account documentation promptly upon expiration of unlimited coverage.

Providing Collateral for Public Deposits

IDIs are reminded that, in accordance with applicable state law, sufficient collateral should be set aside to secure accounts of government depositors to the extent those accounts exceed $250,000 after December 31, 2012.

Regulatory Reporting

The Call Report items and instructions pertaining to the accounts for which the temporary unlimited coverage applies will remain in effect for purposes of the December 31, 2012 Call Report. Revisions to the Call Report materials for March 31, 2013, will be made as set out below.

Memorandum items 5.a and 5.b on Schedule RC-O, in which institutions report the amount and number of "noninterest-bearing transaction accounts (as defined in Section 343 of the Dodd-Frank Act) of more than $250,000" will be removed from the Call Report forms after the year-end 2012 report date. In addition, references to the temporary unlimited coverage in the instructions to Schedule RC-O, Memorandum item 2, "Estimated amount of uninsured deposits, including related interest accrued and unpaid," and Schedule RC-E, Memorandum item 1.c, "Fully insured brokered deposits," will be removed from these instructions in the instruction book update that will be issued as part of the Call Report materials for March 31, 2013.

Corresponding revisions also will be made, effective March 31, 2013, to the FFIEC 002 Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, which is filed by the small number of FDIC-insured U.S. branches of foreign banks.

Mark Pearce
Director
Division of Depositor and Consumer Protection

REVIEW & OUTLOOK

Liberating Money Funds

The best reform is to let asset prices float.

Judging by the long faces on money-market fund lobbyists last week, we're starting to think Washington might reform an industry that received a federal rescue in 2008. On Tuesday, the federal Financial Stability Oversight Council proposed one rule change that would protect taxpayers in the next crisis, plus two others that may not.

The council's "Alternative One" for reform is the best and the simplest: Allow the share prices of money-market mutual funds to float, like the prices of other funds. Since money funds are not insured deposits, investors should understand that they are buying securities that can lose value. The industry has been allowed to employ a novel accounting technique that lets money funds report a fixed value of $1 a share, even if the underlying assets are worth slightly less. In a crisis, the incentive for investors is to run if they can get out the door with $1 before the fund acknowledges reality.

Reporting market prices is the rule for other kinds of securities and should apply to money funds. With expectations appropriately set, investors have less incentive to run. And politicians will be less likely to see a price decline as a cataclysm requiring an industry-wide guarantee like they provided in 2008.

The council's other two reform options require funds to maintain capital buffers to absorb losses. One option has a tiny capital buffer of 1% but demands that large investors keep 3% of their account "at risk" by imposing a 30-day delay on withdrawals. The other option raises the capital buffer to 3% but lets shareholders drain their accounts at any time.

These last two options approach bank-style regulation but with less capital than will be required of banks. The customer would continue to receive a confusing message. Is this a security that can lose money or is it really a bank account? Fund managers say that if investors are required to keep a minimum balance "at risk," the product won't have customers. And they say that if a 3% capital buffer is required, the product won't have suppliers, at least not profitable ones.

Not that money-fund execs like floating share prices any better. They fear that customers will flee if they can't treat these accounts as cash with a stable value. But if customers can't accept declining share prices, is this really the product for them? In any case, no business model should depend on an implicit taxpayer bailout guarantee.

Since the industry hates all three options, regulators might as well push the true market reform and liberate share prices.

The council also did a public service by providing a little math to demonstrate that reform won't be the end of the financial world. The industry has suggested dire consequences if reform causes money funds to wither and there is thus less money for Main Street business through the commercial paper market that money funds help finance.

But the council puts the impact in perspective, noting that commercial paper amounts to a mere 1% of domestic debt for nonfinancial companies. Even under a 3% capital buffer, the council estimates an overall increase in funding costs for businesses, households and state and local governments of just 0.0075 percentage points.

This type of analysis was sorely lacking during the 2008 crisis, and it is all the more welcome because it comes from the same regulators who have previously foreseen calamity if markets are allowed to operate without federal support. Whatever the right number is, minute increases in funding costs pale next to the cost of another financial crisis or taxpayer bailout.

Audit Committee Webinar Series

Sponsored by KPMG

Tune in for timely information, practical resources and peer-to-peer knowledge sharing to enhance the effectiveness of your audit committee's financial oversight. These complimentary quarterly webinars also deal with broader risk oversight issues that concern every committed board director.

*Please note that on-demand webinars are not eligible for **NACD credit** at this time.*

Upcoming Sessions:

Qualifies as:
No Webinars Scheduled

On-Demand Sessions:

Listening to on-demand webinars does not earn the participant NACD Fellowship credit. Listen live and earn 1 **skill-specific credit**.

Fall KPMG/NACD Quarterly Audit Committee Update

September 27, 2012

Issue Focus: Oversight of Tax Strategy and Risk

Plus: Key Financial Reporting and Legal/Regulatory Developments Impacting Audit Committee and Board Oversight

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Summer KPMG/NACD Quarterly Audit Committee Update

June 28, 2012

Issue Focus: The Audit Committee's Interaction with the Chief Compliance Officer

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Spring KPMG/NACD Quarterly Audit Committee Update

March 29, 2012

Issue Focus: The Audit Committee's Interaction with the General Counsel

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Winter KPMG/NACD Quarterly Audit Committee Update

January 12, 2012

Issue Focus: Boardroom Perspectives on Year-end Issues and the Economy

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Fall KPMG/NACD Quarterly Audit Committee Update

October 27, 2011

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Issue Focus: Audit Committee Interaction with the Tax Director

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Summer KPMG/NACD Quarterly Audit Committee Update

June 23, 2011

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight. Topics include:

- Financial Reporting/Accounting Developments, including FASB Projects and "Hot Button" Issues
- Issue Focus: Audit Committee Interactions with the CFO: A dialogue with Carol B. Tomé - CFO and Executive Vice President, The Home Depot; and Audit Committee Chair, UPS - on the changing role of the CFO and finance function, and how audit committees and the CFO can support each other and foster a healthy, effective relationship
- Washington Update, including Status of SEC's Dodd-Frank Rulemakings and Other Legislative/Regulatory Developments
- Audit Committee Institute Debrief: Insights and Upcoming Events for Audit Committee Members and Directors

Spring KPMG/NACD Quarterly Audit Committee Update

March 31, 2011

Audit committee members, C-level executives, and KPMG/NACD professionals will share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight. Topics include:

- Financial Reporting/Accounting Developments
- Issue Focus: IT Risk, Emerging Technologies, and the Role of the CIO
- Washington Update
- Audit Committee Institute Debrief

Winter KPMG/NACD Quarterly Audit Committee Update

January 11, 2011

Audit committee members, C-level executives, and KPMG/NACD professionals share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Fall KPMG/NACD Quarterly Audit Committee Update

September 28, 2010

Audit committee members, C-level executives, and KPMG/NACD professionals share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Summer KPMG/NACD Quarterly Audit Committee Update

June 29, 2010

Audit committee members, C-level executives, and KPMG/NACD professionals share updates and insights into issues affecting audit committee/board oversight from key accounting and regulatory changes to developments in risk oversight.

Disclosing Uncertain Tax Positions to the IRS – Considerations for the Audit Committee

March 30, 2010

KPMG/NACD's Audit Committee Webinar Series provides quarterly updates and insights into issues affecting audit committee/board oversight—from key accounting and regulatory changes to developments in risk oversight.

New SEC Proxy Disclosure Rules for 2010: What Boards Are Doing to Prepare

January 28, 2010

This program will provide an overview of key recommendations from the Report of the NACD Blue Ribbon Commission on Risk Governance: Balancing Risk and Reward, which offers a framework and 10 principles to help boards oversee risk. We will also discuss key accounting developments and financial reporting issues impacting audit committee and board oversight.

Key Governance Reform Proposals: An Institutional Investor Perspective

September 21, 2009

The corporate governance reforms currently being considered by Congress and the SEC will have major implications for boardrooms across corporate America—and institutional investors have had a prominent voice in the debates shaping these proposals.

Key Developments and Practices Shaping Audit Committee Oversight

April 7, 2009

What will it take to restore trust in the governance process—and, ultimately, in the markets? What are the keys to enhancing the role and effectiveness of the chief risk officer? How is audit committee oversight changing as a result of the financial crisis and the formidable challenges ahead?

Conversations that Matter, About Risks that Matter

January 8, 2009

With the tumultuous events of recent months—and tough times ahead—companies and boards across Corporate America are devoting more time to discussing risk and reassessing the adequacy of the company's risk management processes. Yet some of these risk discussions will yield significantly greater insight than others—for a fundamental reason: they're better conversations.

National Association of Corporate Directors
2001 Pennsylvania Ave. NW, Suite 500
Washington DC 20006
Phone 202-775-0509 | Fax 202-775-4857

Periodic Report on Investments

Investment Compliance

Standard	Compliance
Money market mutual funds invested in U.S. treasury securities or a combination of U.S. treasury securities and repurchase agreements backed by U.S. treasury securities.	Yes
Credit Analysis reviewed by Investment Officers	Yes
Concentration analysis reviewed by Investment Officers	Yes
No more than 40 percent of the portfolio shall be invested in repurchase agreements across all money market mutual funds.	Yes
No more than 10% of investable funds will be maintained in any one fund.	Yes
Direct Treasuries reviewed by Investment officers	Yes - No treasuries purchased directly.
Has assets under management in the fund of at least $1 billion	Yes

Electric Reliability Council of Texas, Inc.
Summary of Investment Results
As of October 31, 2012
(in 000's)

Investment Funds (Note 1)	Balance	Interest	Yield	% of portfolio
BlackRock Institutional T-Fund (60) MMF	-	-	0.00%	0.0%
BlackRock Institutional Treasury Trust Fund MMF	63,000	0.3	0.00%	9.1%
Dreyfus Treasury Prime Cash Management MMF	63,000	-	0.00%	9.1%
Federated Fund 068 Treasury Obligations Fund	-	-	0.00%	0.0%
Federated Fund 0125 US Treasury Cash Reserves Fund	63,000	-	0.00%	9.1%
Fidelity 695 Institutional MMF: Treasury Portfolio	-	-	0.00%	0.0%
Fidelity 680 Institutional MMF: Treasury Only Portfolio	1,000	-	0.00%	0.1%
Goldman Sachs Treasury Instruments Fund 506	63,000	0.1	0.00%	9.1%
Invesco Institutional Treasury Portfolio	63,012	0.9	0.01%	9.1%
JP Morgan Chase US Treasury Plus MM Fund	63,000	-	0.00%	9.1%
Morgan Stanley Fund 8304 Treasury	63,008	1.3	0.01%	9.1%
State Street Global Advisors Institutional Treasury MMF	63,000	-	0.00%	9.1%
UBS Select Treasury Preferred Fund 46	63,002	0.4	0.00%	9.1%
Wells Fargo Institutional Treasury Plus MMF	35,004	0.3	0.00%	5.0%
Wells Fargo 100% Treasury MMF	28,000	-	0.00%	4.0%
Western Asset Institutional US Treasury Reserves	63,006	0.9	0.01%	9.1%
Sub-Total	694,032	4.2		100.0%
Other cash net of outstanding checks (Note 2)	164			
Total cash and cash equivalents (est)	694,196			

Benchmark data (Note 3)

Four Week T-Bill: 0.09%

Other open relevant Treasury MMFs: 0.01% (Range: 0.00% - 0.03%)

Notes

Note 1: In compliance with the Investment Corporate Standard, these funds invest in Treasuries or obligations backed by US Treasuries.

Note 2: All other cash, net of outstanding checks, held by ERCOT in bank accounts as of October 31, 2012.

Note 3: Benchmark data obtained as of October 31, 2012 for T-Bills and for comparable funds for which quotes are periodically obtained. Funds not currently open for investment are not included in range. Note that due diligence has not been performed on funds included in the benchmark and included funds may not meet ERCOT investment standards.

Note 4: Monthly holding reports are available for review upon request.

Statement of Compliance

Upon a review of the investment activity, I have no knowledge of any ERCOT action that does not comply with that required by the Investment Corporate Standard since the last report provided to the Finance and Audit Committee.

Signature on File
Michael Petterson Vice President Finance and Treasury

Repurchase Agreement Analysis

Instrument	Date	ERCOT Value	Percent of ERCOT Portfolio
Treasuries	10/31/2012	$540,986,711	78%
Repurchase Agreements		$153,045,779	22%
Total		**$694,032,490**	**100%**