SUPPORTING STATEMENT
Temporary Liquidity Guarantee Program
(new collection)

The Federal Deposit Insurance Corporation (FDIC) is requesting emergency approval from the Office of Management and Budget (OMB) by October 23, 2008, to sponsor a new collection of information associated with an interim rule implementing the FDIC's Temporary Liquidity Guarantee (TLG) Program. The information collection includes reporting, recordkeeping and disclosure requirements applicable to eligible entities participating in either the Debt Guarantee Component of the program or the Deposit Guarantee Component or both. The information obtained will allow the FDIC to monitor its exposure under the TLG Program and determine assessments for entities participating in the program. The disclosures will ensure that depositors, debt holders, and the general public are on notice as to which entities are participating in the program, the extent to which deposits in noninterest-bearing transaction accounts are FDIC-insured, and whether newly-issued senior unsecured debt is guaranteed by the FDIC.

A. JUSTIFICATION

1. Circumstances and Need

Section 141 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), Pub. L. No. 102-242 (Dec. 19, 1991), added section 13(c)(4)(G) to the Federal Deposit Insurance Act (FDI Act). 12 USC 1823(c)(4)(G). That section authorizes action by the Federal government in circumstances involving a systemic risk to the nation's financial system. On October 13, 2008, in response to the unprecedented disruption in credit markets and the resultant effects on the abilities of banks to fund themselves and to intermediate credit, the Secretary of the Treasury (after consultation with the President) made a determination of systemic risk following receipt of the written recommendation of the FDIC Board, along with the written recommendation of the Board of Governors of the Federal Reserve System in accordance with section 13(c)(4)(G). The systemic risk determination allows the FDIC to take certain actions to avoid or mitigate serious adverse effects on economic conditions or financial stability. Pursuant to the systemic determination, the FDIC Board established the TLG Program comprised of (1) a guarantee by the FDIC of all unsecured, unsubordinated debt of insured depository institutions, their bank holding companies, financial holding companies, and thrift holding companies (other than unitary thrift holding companies) issued between October 14, 2008, and June 30, 2009, with guarantees expiring not later than June 30, 2012, and with a system of fees to be paid by these institutions for such guarantees; and (2) a 100 percent guaranty of non-interest bearing transaction accounts held by insured depository institutions until December 31, 2009 (FDIC guarantees). The TLG program is designed to strengthen confidence and encourage liquidity in the banking system in order to ease lending to creditworthy businesses and consumers.

The Debt Guarantee Component will guarantee all newly-issued senior unsecured debt issued by eligible entities on or after October 14, 2008, through and including June 30, 2009 (except that for firms that opt out, the guarantee of their debt will end no later than November 12, 2008). Although the eligible debt must be issued on or before June 30, 2009, for debts maturing after that date, the FDIC will provide guarantee coverage for up to three years beyond that date, or until June 30, 2012. The FDIC will guarantee new senior unsecured debt in an amount up to 125 percent of the par or face value of senior unsecured debt outstanding as of September 30, 2008, that is scheduled to mature by June 30, 2009. In the event an eligible entity had no senior unsecured debt prior to September 30, 2008, the FDIC will consider the circumstances of an eligible entity and may determine an alternate threshold calculation.

The Deposit Guarantee Component will provide temporary unlimited deposit insurance coverage of funds in certain noninterest-bearing transaction accounts at FDIC-insured institutions. The FDIC anticipates that these accounts will include payment-processing accounts, such as payroll accounts, frequently used by depository institution business customers. This coverage became effective on October 14, 2008, and will continue through December 31, 2009, unless an insured institution elects to opt out of the TLG Program.

To facilitate the FDIC administration of the TLG Program, the FDIC Board, on October 23, 2008, approved an interim final rule which contains several collections of information. The FDIC is requesting emergency approval from the Office of Management and Budget (OMB) of the collections contained in the interim rule. This request for emergency clearance will be followed up with a request for approval under OMB's normal clearance procedures.

2. <u>Use of Information Collected</u>

The interim rule requires that eligible entities that choose not to participate in the TLG Program affirmatively opt out of the Debt Guarantee Component, the Deposit Guarantee Component, or both. In addition, participating entities must provide notice to customers and lenders or creditors, if their participation in the program is terminated. Entities participating in the Debt Guarantee Component will be required to report on the amount of senior unsecured debt outstanding as of September 30, 2008, which will allow the FDIC to determine the amount of an entity's maximum guarantee limit; maintain certain records and notify the FDIC of debt issued under the program, which will ensure that the FDIC remains fully informed of its exposure under the program and has the information necessary to charge assessments for debt guaranteed under the program; and, in the interest of full disclosure, notify counterparties to newly-issued senior unsecured debt regarding whether the debt offered is guaranteed. Each entity participating in the Deposit Guarantee Component will be required to report certain information concerning its noninterest-bearing accounts to the FDIC quarterly, which will ensure the FDIC remains fully informed of its exposure under the program and has the information necessary to charge assessments for accounts guaranteed under the program, and prominently display in each of its branches in which deposits are taken notice of its participation in the program to ease depositor concerns about the safety of their accounts. Pursuant to section 13(c)(4)(G)(ii) of the FDI Act, data on each insured institution's tangible equity capital is needed for purposes of calculating system risk emergency special assessments.

3. Use of Technology to Reduce Burden

To the extent possible, information will be collected through *FDICconnect*, the FDIC's secure web site for conducting ecommerce. Information on noninterest-bearing transaction accounts of entities participating in the Deposit Guarantee Program and on the tangible equity capital of all insured institutions will be collected in Consolidated Reports of Condition and Income (OMB No. 3065-0052) and similar depository institution "reports on condition" that are used to collect data for FDIC deposit insurance assessment purposes. Participating entities may use information technology to the extent feasible to maintain required records.

4. Efforts to Identify Duplication

The information collections contained in the interim final rule are not duplicated elsewhere. In the absence of the TLG Program, there is no reason for eligible entities to maintain or provide the requested information.

5. Minimizing the Burden on Small Entities

The information collected is the minimum necessary to administer the TLG Program. Small entities can choose to opt out of one or both components of the TLG, which will eliminate subsequent reporting burden related to these program components.

6. Consequences of Less Frequent Collection

The opt-out and termination notices, posting of notices of participation in the transaction account guarantee program in branches, and report on amount of senior unsecured debt outstanding as of September 30, 2008, are one-time events. Similarly, receivership claims are filed only in the event of failure. Submission to the FDIC of notices of debt issued under the Debt Guarantee Component of the TLG less frequently than upon issuance will prevent the FDIC from timely monitoring its exposure under the program and collecting assessments for the FDIC's guarantee of the debt from the entity issuing the debt. Submission of data on noninterest-bearing transaction accounts by entities participating in the Deposit Guarantee Component of the TLG less frequently than quarterly would also reduce the FDIC's ability to timely monitor its exposure and collecting assessments for the guaranteed deposits. The unprecedented market disruptions justifying this temporary liquidity guaranty program have been fast-moving events. Therefore, in order to appropriately monitor potentially adverse changes in bank liquidity that may require application or modification of these guarantees, the FDIC may, in some circumstances, require additional reporting more frequently than quarterly depending on individual usage levels and overall market conditions.

7. Special Circumstances

The instability of financial markets required that the FDIC implement the TLG Program immediately. The program, therefore, took effect on October 14, 2008, with immediate coverage for all eligible entities. Eligible entities must opt-out of the TLG Program by November 12, 2008. Reporting under the Debt Guarantee Program of senior unsecured debt outstanding as of September 30, 2008, and of debt issued on or after October 14, 2008, may be required in fewer than 30 days after notice of the collection.
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8. Consultation with Persons Outside the FDIC

Prior to issuance of the interim final rule, the FDIC consulted with U.S. Treasury Department, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The FDIC is requesting public comment on the interim final rule for an abbreviated 15-day period. However, the FDIC will follow this request for emergency processing with a request under normal clearance procedures, during which comments will be solicited for the typical 60-day and a 30-day periods. All comments received on paperwork burden, whether during the 15-day, 60-day, or 30-day comment periods will be considered in finalizing the collection.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

Opt-out and termination notices are intended to put the public on notice of an eligible entity's participation or nonparticipation in the TLG Program and, therefore, will be made publicly available. Data pertaining to noninterest-bearing transaction accounts and tangible equity capital collected in depository institution "reports of condition" would be publicly available.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

The following estimates are preliminary and, where indicated, are based on certain assumptions. To the extent that the assumptions change on the basis of public comment or do no hold true once the program becomes operational, the FDIC will submit adjustments to OMB to ensure burden accuracy.

Information Collection	Number of Respondents	Hours Per Response	Responses Per Year	Total Hours
370.3(b)(2) – Amount of initial senior unsecured debt	14,400	1	1	14,400

FDIC Insured Depository Institutions - 8388
Thrift Holding Companies - 958
Total Bank and Financial Holding Companies - 5861
Total: 15,207
Assume 95% participate or about 14,400
And assume 5% decide to opt out or about 800
So 14,400 will report senior unsecured debt
And 800 will opt out of either or both programs

370.3(b)(3) – Subsequent reports on senior unsecured debt	14,400	1	4	57,600
370.5(c) and (g) – Opt-out/opt-in notice	1,600	.5	1	800

Opt-out notice to Debt Guarantee Component - 800
Opt-out notice to Deposit Guarantee Component - 800
Total: 1600

370.5(h)(2) – Written notice of debt guarantee	9,150	(See note below)		15,300

For the 50 largest depository institutions, they would spend up to 2 hours each providing a written notice of debt guarantee.
50 largest depository institutions x 2 hours = 100 hours

For the remaining 8300 depository institutions, estimate 90%, or 7500, will issue guaranteed debt. Less than half, or about 3000, will be net borrowers and will have to spend about 1 hour providing a written notice of debt guarantee.
3000 depository institutions x 1 = 3000 hours.

More than half or about 4000 will be net lenders and will not have to provide any written notice of debt guarantee.
4000 x 0 = 0 hours

For the 6819 bank, thrift and financial holding companies, of the 90%, or 6100 that are likely to participate, all are likely to issue debt and will spend about 2 hours providing a written notice of debt guarantee.
6100 holding companies x 2 = 12,200 hours

Total: 50 + 3000 +6100 = 9,150 respondents
100 + 3000 + 12,200 = 15,300 hours

370.5(h)(4) – Written notice of transaction account guarantee	8,000	2	1	16,000

This would apply to the 8388 insured depository institutions, of which 95%, or 8000, are expected to participate. These 8000 institutions will spend about 2 hours preparing and inserting a notice into the next account statement.
8000 institutions x 2 = 16,000 hours

370.6(b) – Notice of issuance of guaranteed debt	13,650	(See note below)		2,086,900

Estimate top 50 depository institutions may spend about 3 hours every business day (about 250/yr) providing notices of multiple issuances of guaranteed debt
50 depository institutions x 3 hours x 250 business days = 37,500 hours

Of the remaining 8300 depository institutions, estimate 90%, or 7500, will issue guaranteed debt. About half, or 3800 may spend about .5 hours every business day providing notices of some issuances of guaranteed debt
3800 depository institutions x .5 hours x 250 business days = 475,000 hours

Of the remaining 3800 depository institutions, they may issue guaranteed debt about twice a month or 24 times a year
3800 depository institutions x .5 hours x 26 days a year = 49,400

Of the 6819 bank, financial and thrift holding companies, 90% of them, or 6100 may spend about 1 hour every business day providing notices of issuances of guaranteed debt
6100 Holding Companies x 1 x 250 = 1,525,000 hours

50 + 7500 + 6100 = 13650 total respondents
37,500 + 475,000 + 49,400 + 1,525,000 = 2,086,900 hours

370.11(a)(1)(a) – Notice of termination of participation	300	(See note below)		900

Of the estimated 14,400 depository institutions, and bank, thrift and financial holding companies expected to participate, it is likely that no more than 2 %, or about 300, will be terminated from this program. These 300 will have to spend 1 hour posting a notice, and 2 hours notifying customers and creditors of this action.
300 x 1 + 300 x 2 = 900 hours

370.12(b)(1)(iv) – Debt holders' receivership claims	2,300	3	1	6,900
370.12(b)(3)(ii) – Bankruptcy	300	1	1	300
POC/evidence of POC				
Total	**64,100**			**2,199,100**

13. Capital, Start-up, and Operating Costs

Entities participating in one or both of the TLG programs maintain extensive internal recordkeeping systems concerning senior unsecured debt and noninterest-bearing transaction accounts which generate data for these entities' managements' use in internal management reporting, risk management, and analysis and in external financial and regulatory reporting and disclosure. Participating entities may need to modify certain elements of these internal recordkeeping statements to enable them to provide information to the FDIC concerning the issuance of guaranteed debt and the amount of noninterest-bearing transaction accounts. Although this will result in start-up and operating costs, an estimate of such costs cannot be readily determined.

14. Estimates of Annualized Cost to the Federal Government

The cost to the FDIC of this information collection system includes the cost of:

- developing reporting requirements, instructions, and data validation edits;
- computer processing, including developing, maintaining, and modifying software programs, associated with *FDICConnect* and the Central Data Repository system for collecting and validating bank "reports of condition"; and
- FDIC personnel involved in the preceding tasks and in the review and validation of reported data.

The incremental costs associated with the implementation of this information collection are encompassed within the FDIC's personnel and data processing budgets and are not separately identifiable.

15. Reason for Change in Burden

This is a new collection.

16. Publication

The FDIC will make publicly available on its web site a list of those entities that have opted out of either component of the TLG Program. Data pertaining to noninterest-bearing transaction accounts and tangible equity capital collected in depository institution "reports of condition" would be publicly available. None of the other information collected will be published.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.