SUPPORTING STATEMENT
Temporary Liquidity Guarantee Program
OMB No. 3064-0166

The Federal Deposit Insurance Corporation (FDIC) is requesting emergency approval from the Office of Management and Budget (OMB) by December 3, 2008, to revise a collection of information recently established in connection with an interim rule implementing the FDIC's Temporary Liquidity Guarantee (TLG) Program. The revision to the information collection reflects new provisions in the final rule that establish mechanisms under the Debt Guarantee Component of the TLG Program to request an increase in established debt limits, an increase in presumptive debt guarantee limits of zero, and for certain entities to request permission to opt in to the debt guarantee program. The information obtained from these new collections will allow the FDIC to evaluate whether to grant such requests.

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 of Directors ("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 (73 FR 64179, October 29, 2008) which contained several collections of information. The FDIC requested and received emergency clearance for the collections from the Office of Management and Budget (OMB) of the collections contained in the interim rule. The final rule (73 FR 72244, November 26, 2008), which was approved by the FDIC Board on November 21, 2008, contained additional collections of information.

The additional collections of information in the final rule are found in section 370.3(h)(1), entitled “Applications for exceptions and eligibility,” and provide a mechanism for a request by a participating entity to establish or increase its debt guarantee limit; a request by a newly eligible entity for an increase in its presumptive debt guarantee limit of zero; a request by a non-participating surviving entity in a merger transaction to opt in to either the debt guarantee or transaction account guarantee program; and a request by an affiliate of an insured depository institution to participate in the debt guarantee program.

These requests for emergency clearance will be followed up with a request for approval of OMB No. 3064-0166, Temporary Liquidity Guarantee Program, under OMB’s normal clearance procedures.

2. Use of Information Collected

The written letter applications will provide information on the details of the request, the applicant’s strategic operating plan, and the intended use of debt proceeds. This information is needed by the FDIC as the basis for evaluating whether to allow an applicant to opt in or participate in the debt guarantee or transaction account guarantee programs or to establish or increase an applicant's debt guarantee limit. In addition, the information will identify the extent to which the FDIC should impose conditions, if any, on the approval of an applicant's request to reduce risk of loss.

3. Use of Technology to Reduce Burden

The information requested in written letter applications is unique to each applicant and the FDIC has prescribed no standardized format for preparing the applications. Therefore, entities submitting applications may use information technology to the extent feasible to assemble their application packages.

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 entities to 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 whether to participate in the program.

6. Consequences of Less Frequent Collection

The letter applications are a one-time occurrence and the minimum necessary to obtain information required to evaluate a request to establish or increase a debt guarantee limit or a request to participate or opt in to the debt guarantee or transaction account guarantee programs.

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. The final rule establishing requirements for letter applications in certain circumstances was adopted by the FDIC Board and made publicly available on November 21, 2008. Therefore, institutions may elect to submit applications to establish or increase debt guarantee limits or to participate or opt in to the debt guarantee or transaction account guarantee programs almost immediately.

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 requested and received over 700 comments on the interim final rule. In addition, the FDIC will follow its requests for emergency processing under the Paperwork Reduction Act with a request under normal clearance procedures, during which comments will be solicited for the typical 60-day and 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

Information deemed confidential is exempt from public disclosure under the Freedom of Information Act (5 U.S.C. 552).

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.

New Information Collection	Number of Respondents	Hours Per Response	Responses Per Year	Total Hours
370.3(h)(1)(i) – Request for increase in debt guarantee limit	1,000	2	1	2,000
370.3(h)(1)(ii) – Request for increase in presumptive debt guarantee limit of zero	100	2	1	200
370.3(h)(1)(iii) – Request by non-participating surviving entity to opt in to debt guarantee program	100	1	1	100
370.3(h)(1)(iv) – Request by affiliate to participate in debt guarantee or transaction account guarantee program	50	2	1	100

New Burden	**1,250**	**2,400**
Existing Burden	**64,100**	**2,199,100**
Total Burden	**65,350**	**2,201,500**

13. Capital, Start-up, and Operating Costs

There are no capital, start-up or operating costs associated with preparation of written letter applications.

14. Estimates of Annualized Cost to the Federal Government

The incremental costs associated with processing written letter applications 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 revision to a recently approved collection. The burden increase of 2,400 hours is due to a program change.

16. Publication

The information collected from written letter applications will not be published by the FDIC.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.