SUPPORTING STATEMENT
TLGP Emergency Guarantee Facility
(New Information Collection)

The Federal Deposit Insurance Corporation ("FDIC") is seeking Office of Management and Budget ("OMB") approval to establish a new information collection in connection with a notice of proposed rulemaking, soliciting public comment on two alternatives, Alternatives A and B, for phase-out of the Debt Guarantee Program ("DGP") component of the Temporary Liquidity Guarantee Program (TLGP). Alternative B, if it is finalized, would impose reporting and disclosure requirements on participating institutions.

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 TLGP comprised of (1) a guarantee by the FDIC of all unsecured, unsubordinated debt of insured depository institutions, bank holding companies, financial holding companies, and thrift holding companies (other than unitary thrift holding companies) (and certain other related entities approved by the FDIC) 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 TLGP was designed to strengthen confidence and encourage liquidity in the banking system in order to ease lending to creditworthy businesses and consumers, and to ensure an orderly transition back to normal debt markets. The TLGP was subsequently amended in February 2009 to permit the FDIC to guarantee mandatory convertible debt, and in March 2009 to (1) provide a limited four-month extension of the Debt Guarantee Component for insured depository institutions and participating entities that had already issued debt under the program prior to April 1, 2009, (2) allow certain other participating entities to request permission to issue FDIC-guaranteed debt after June 30, 2009, and (3) require participating entities to submit a written application to issue senior unsecured non-guaranteed debt after June 30, 2009. An additional amendment was made to the Transaction Account Guarantee (TAG) component of the TLGP on August 26, 2009. This amendment provided for a six-month extension of the TAG program until June 30, 2010, and provided a one-time opportunity for insured depository institutions to opt-out of the extended TAG program.

The Debt Guarantee Program ("DGP") permits participating entities to issue FDIC-guaranteed senior unsecured debt through, and including, October 31, 2009, where the FDIC's guarantee expires on the earliest of the debt's mandatory conversion date, the stated maturity date, or December 31, 2012. The FDIC guarantee covers newly-issued senior unsecured debt in an amount up to 125 percent of the par or face value of an entity's senior unsecured debt outstanding as of September 30, 2008, that is scheduled to mature by June 30, 2009 (for participating entities that had not issued FDIC-guaranteed debt by April 1, 2009, and did not participate in the DGP extension) and by October 31, 2009 (for insured depository institutions, those entities that had issued FDIC-guaranteed debt by April 1, 2009, and certain other entities permitted to participate in the DGP extension.) In the event an eligible entity had no senior unsecured debt prior to September 30, 2008, the FDIC considers the circumstances of an eligible entity and, in some cases, has determined an alternate threshold calculation.

This Notice of Proposed Rulemaking ("NPR") offers two alternatives for phasing out the DGP; Alternative A and Alternative B. Under Alternative A, the DGP would expire as provided for by the FDIC's existing regulation on October 31, 2009, with the FDIC's guarantee for such debt expiring no later than December 31, 2012. Under Alternative B, the DGP will expire as provided for in the current regulation; however, the FDIC would establish a limited six-month emergency guarantee facility ("Emergency Guarantee Facility") to be made available in emergency circumstances to insured depository institutions ("IDIs") and certain other entities participating in the DGP upon application to the FDIC and with the approval of the Chairman, after consultation with the Board.

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

The applications to participate in the Emergency Guarantee Facility under Alternative B would assist the FDIC in determining an entity's eligibility to participate in such facility and in assessing the risk associated with that participation. Additionally, the application would provide information to both the FDIC and the public on which entities are participating in the Emergency Guarantee Facility.

3. <u>Use of Technology to Reduce Burden</u>

Institutions may utilize technology to the extent appropriate to generate required disclosures.

4. Efforts to Identify Duplication

The information collection arising from phasing out the DGP is not duplicated elsewhere. In the absence of applications, 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 phase out the DGP.

6. Consequences of Less Frequent Collection

Applications to participate in the Emergency Guarantee Facility program are expected to be one-time occurrences.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

In addition, the FDIC is soliciting public comment, for a 15-day period, on its notice of proposed rulemaking. Any comments received will be taken into consideration in development of any final rule.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

The information will be publicly available.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

	Number of Respondents	Hours Per Response	Responses Per Year	Total Hours
Application to access emergency				

guarantee facility submitted by IDIs	8	4	1	32
Application to access emergency guarantee facility submitted by non-IDIs that issued FDIC-guaranteed debt under the DGP	4	4	1	16

Total burden = 48 hours

13. Capital, Start-up, and Operating Costs

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

14. Estimates of Annualized Cost to the Federal Government

The incremental costs associated with administering the phase out of the DGP program extension under Alternative B 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 information collection.

16. Publication

Insured depository institutions and other entities participating in the DGP are required to include prescribed disclosure statements in all written materials underlying the issuance of senior unsecured debt that indicates whether or not the debt issuance is guaranteed by the FDIC.

17. Exceptions to Expiration Date Display

The OMB Control Number and its expiration date will be included in any final rule adopted by the FDIC Board of Directors.

18. Exceptions to Certification

None.