SUPPORTING STATEMENT
TLGP Transaction Account Guarantee Program Extension
(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 Transaction Account Guarantee ("TAG") 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, 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 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. The TLGP is 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 Debt Guarantee Component guarantees all newly-issued, senior, unsecured debt issued by eligible entities on or after October 14, 2008, through and including October 31, 2009 (except that for firms that opted out, the guarantee of their debt ended no later than November 12, 2008). Although the eligible debt must be issued on or before October 31, 2009, for debts maturing after that date, the FDIC will provide guarantee coverage for more than three years beyond that date, or until December 31, 2012. The FDIC guarantee covers new, 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. 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, determined an alternate threshold calculation.

The TAG Component provides temporary, unlimited, deposit insurance coverage of funds in certain noninterest-bearing transaction accounts at FDIC-insured institutions, including payment-processing accounts, such as payroll accounts, frequently used by depository institution business customers. This coverage became effective on October 14, 2008, and continues through December 31, 2009, unless an insured institution elected to opt out of the TLGP. On June 23, 2009, the FDIC Board of Directors approved issuance of a notice of proposed rulemaking soliciting comment on a possible six-month extension, through June 30, 2010, of the TAG Component. If the six-month extension is adopted as a final rule, insured depository institutions currently participating in the program may elect to opt out of the extended TAG program. Any institution opting out of the TAG program extension will be required, no later than November 15, 2009, to post a notice in the lobby of its main office, each domestic branch, and, if it offers internet deposit services, on its web site clearly indicating that funds held in noninterest-bearing transaction accounts that are in excess of the standard maximum deposit insurance amount will not be guaranteed under the program after December 31, 2009. In addition, institutions electing to participate in the TAG program extension may be required to amend existing disclosures regarding program participation to the extent that they indicate that the FDIC's guarantee under the TAG program will terminate on December 31, 2009.

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

The opt-out notices provide information to the FDIC and the public on which entities are participating in the extended TAG Component and provides the information needed for the FDIC to determine which institutions should be assessed for the extended guarantee. Disclosures to customers of institutions opting out of the program inform customers that excess funds in noninterest-bearing transaction accounts will no longer be guaranteed under the TAG program after December 31, 2009. In addition, institutions participating in the extended program must update their disclosures to customers to the extent that they currently reflect a December 31, 2009, termination date for the transaction account guarantee.

3. Use of Technology to Reduce Burden

Opt-out notices are provided to the FDIC electronically by email. Institutions may utilize technology to the extent appropriate to generate required disclosures.

4. Efforts to Identify Duplication

The information collections arising from an extension of the TAG program are not duplicated elsewhere. In the absence of an extension, 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 implement a TAG program extension. Small entities can choose whether to participate in the extended program.

6. Consequences of Less Frequent Collection

Applications to participate in the TAG program extension and associated disclosures will be one-time occurrences.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The FDIC consulted with the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System regarding possible extension of the TAG component of the TLGP. In addition, the FDIC is soliciting public comment, for a 30-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
Opt-out of TAG Extension/ Disclosure of discontinuation of TAG program guarantee	3,555	1	1	3,555
Disclosure to customers of TAG Program extension	3,554	1	1	3,554

Total burden = 7,109

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 administering the TAG program extension 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 are required to disclose to their customers whether or not they are participating in the program.

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.