Temporary Liquidity Guaranty Program (TLGP)

Sponsor: Federal Deposit Insurance Corp.

Summary:

- FDIC will insure newly issued senior unsecured debt
- FDIC will insure total balance in non-interest bearing transactional deposit accounts
- Eligible institutions are currently and automatically IN the program – **must opt-out if desired**
- Can opt-out of either or both parts of the program
- Opt-out terminates all guarantees
- Must opt-in to be able to issue non-guaranteed debt while in program
- **Guaranteed debt has 20% risk weighting**

Key Dates

Effective: October 14, 2008

Opt-Out Date: December 5, 2008 (11:59 p.m.)
(extended from November 12)

Comment Period Ends:
November 13, 2008

New Guaranteed Instruments Issued Through:
June 30, 2009

Debt Will Be Covered Through: June 30, 2012

Deposit Coverage Through: December 31, 2009

Eligible Institutions

- FDIC insured depository institutions
- U.S. bank holding companies (BHCs)
- U.S. financial holding companies
- U.S. savings and loan holding companies (engaging in only permissible BHC activities or has an application pending under BHCA)
- Affiliates of insured depository institutions, upon application to, and acceptance by, the FDIC with consultation of the primary federal banking regulator
- All common controlled institutions must make the same decision (opt in/out)

Fees

- New debt: 75 bp per annum
- Participation in non-guaranty program: 37.5 bp one time fee assessed on max debt issuance
- Deposit accounts: 10 bp on balance
- Breach of max debt limit: increase from 75 bp to 150 bp for duration of program
- Fees assessed on participating institutions beginning Nov. 13 for debt issued after Oct. 14 (with certain exceptions)
- Post program shortfall: Upon shortfall at termination of program – special assessment on all banks based on liabilities

Supervision

- Primary federal banking regulator will coordinate with FDIC
- FDIC will have control over program and access to all participants

Senior Unsecured Debt Guaranty

Definition of Senior Debt:

- Newly issued senior unsecured debt issued on or before June 30, 2009
- **Includes:** federal funds, promissory notes, CP, inter-bank funding, unsubordinated unsecured notes, bank-to-bank CDs, international banking facility deposits, certain limited bank-to-bank Eurodollar deposits; foreign currency denominated debt
- **Excludes:** unsecured portion of secured debt, contingent debt, derivatives and derivative-linked instruments, equity-linked and capital securities, negotiable CDs, foreign currency deposits, Eurodollar sweep accounts, inter-company debt
- **Excludes:** debt the proceeds of which are used to pay down outstanding debt

Maximum Debt Limit:

- Guaranteed amount will be 125% of senior unsecured debt outstanding on Sept 30, 2008 that was scheduled to mature before June 30, 2009

Participants Issuing Non-Guaranteed Debt

- Must notify FDIC before opt-out date of desire to issue non-guaranteed debt and be in program
- Debt must mature after June 30, 2012 (maturity of debt can extend past limits of guarantee)
- Pay non-refundable 37.5 bp fee on maximum debt limit (will offset any future assessments under the program)

Non-Interest Bearing Account Guarantee

Covered Accounts:

- Non-interest bearing deposit transaction accounts (e.g., business payroll accounts)
- Non-interest bearing savings accounts into which transaction accounts are swept
- Treatment of other sweep accounts will follow FDIC's rules for failed institutions and will depend on where the money is at the end of the banking day
- **Excludes:** any interest bearing account; NOW accounts (**non-interest bearing money market deposit accounts are covered**)
- Insurance is unlimited on eligible accounts

Pending Matters

- Whether debt for debt exchanges are permissible?
- Will the FDIC charge a different fee for Fed funds than for other senior unsecured debt?

Guarantee

- Upon failure of depository institution or bankruptcy filing of holding company
- Principal and interest through failure/filing
- Under standard FDIC insurance process
- Not full faith and credit of the US government

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