

Temporary Liquidity Guarantee Program (TLGP)

Sponsor: Federal Deposit Insurance Corp.

Summary:

- FDIC will guarantee newly-issued senior unsecured debt
- FDIC will guarantee 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 and fee obligations
- Opt-out irrevocable (except in case of merger)
- Must elect ability to issue long-term non-guaranteed debt before reaching issuance cap while in program
- Guaranteed debt has 20% risk weighting and is backed by full faith and credit of U.S.

Key Dates

- Effective: October 14, 2008
- Opt-Out / Election Date: December 5, 2008
- Disclosure Compliance: December 19, 2008
- Guarantee of New 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 FHC 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
- Entities eligible after Dec 5 may apply to FDIC to participate
- All common controlled institutions must make the same decision (opt in/out)

Fees

- New debt: (1) maturity 31-180 days, 50 bps per annum, (2) 181-364 days, 75bps per annum, (3) 365+ days, 100 bps per annum (fee for mandatory debt based on number of days until conversion)
- Participation in non-guaranty program: 37.5 bps one time fee assessed on issuance cap
- Breach of issuance cap: double applicable fee
- Holding companies whose depository institutions are <50% of assets, surcharge of 10 bps per annum
- Fees assessed on participating institutions beg Nov. 13 for debt other than overnight debt issued on or after Oct. 14 and outstanding Nov 13, and all covered debt issued Dec 6 and after
- Deposit accounts: 10 bps on quarter end balance (over \$250,000)
- Post program shortfall at termination: 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 Guarantee

- Guarantee of timely payment of interest and principal

Definition of Senior Debt:

- Newly issued senior unsecured debt issued on Oct 14, 2008 through June 30, 2009
- **Includes:** federal funds, promissory notes, CP, inter-bank funding, unsubordinated unsecured notes, bank-to-bank CDs, U.S. dollar international banking facility deposits, certain limited U.S. dollar bank-to-bank Eurodollar deposits; foreign currency denominated debt
- **Excludes:** unsecured portion of secured debt, guarantees or other contingent debt, derivatives and derivative-linked instruments, convertible debt, equity-linked and capital securities, structured notes, retail debt securities, debt paired or bundled with other securities, revolving credit agreements, instruments for trade credit, negotiable CDs, foreign currency deposits, Eurodollar sweep accounts, inter-company debt, debt proceeds of which used to pay down outstanding debt
- Excludes: new debt maturing in 30 days or less (issued on or after December 6)

Issuance Cap:

- Guaranteed amount will be 125% of senior unsecured debt outstanding on Sept 30, 2008 that was scheduled to mature before June 30, 2009 (including maturity 30-day or less)
- If above is zero (excluding overnight), 2% of consolidated total liabilities
- Insured depository institutions can issue up to the aggregate of their cap and their parent holding company cap (if participating entity)

Participants Issuing Long-Term Non-Guaranteed Debt

- Notify FDIC before opt-out date to issue long-term non-guaranteed debt while in program
- Non-guaranteed debt must mature after June 30, 2012
- Pay non-refundable 37.5 bps fee on maximum debt limit (will offset any future assessments under the Debt Guarantee Program)

Non-Interest Bearing Acct 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 failed institutions rules; depends on where the money is at end of banking day
- Includes: IOLTA (lawyers trust accounts) and NOW accounts paying interest of 0.50% or less
- Excludes: any interest bearing account; most NOW accounts
- Insurance is unlimited on eligible accounts
- Must post notice in main lobby, all branches and internet whether or not in program
- Guarantee uses standard FDIC process

New Information:

- FDIC-guaranteed debt exempt from SEC registration and OCC Part 16 if matures no later than June 30, 2012
- Debt Guarantee Program definition of senior unsecured debt extended on February 27, 2009 by interim final rule to include mandatory convertible debt. No other changes (issuance cap, last issuance date). Approval by FDIC is required to issue guaranteed mandatory debt. Application deadline June 30, 2009
- No follow-up yet on announcements to extend debt guarantee program (1) issuance date to Oct 31, 2009 and (2) to permit issuance of guaranteed collateralized debt