PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

October 23, 2008

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FDIC Issues Interim Rule to Implement the Temporary Liquidity Guarantee Program
Lays Out Framework and Operating Details of the Program

FOR IMMEDIATE RELEASE

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved an interim rule to govern its newly created Temporary Liquidity Guarantee Program (TLGP). While the rule is effective immediately, comments will be taken for a 15-day period.

"I strongly encourage eligible institutions of all sizes to participate in this program," said FDIC Chairman Sheila C. Bair. "The Temporary Liquidity Guarantee Program will once again spur credit to flow, which is essential for banks to return to normal lending activity. The overwhelming majority of banks are strong, safe and sound. But a lack of confidence is driving the current turmoil. And it is a lack of confidence that these guarantees are designed to address."

On October 14, 2008, the FDIC announced the creation of the TLGP as part of a larger government effort to strengthen confidence and encourage liquidity in the nation's banking system. All eligible institutions are automatically enrolled in the program for the first 30 days at no cost. Organizations that do not wish to participate in the TLGP must opt out by 11:59 p.m. on November 12, 2008. After that time, participating entities will be charged fees.

The program has two components. One guarantees newly issued senior unsecured debt of the participating organizations, within a certain limit, issued between October 14, 2008 and June 30, 2009. For such debts maturing beyond June 30, 2009, the guarantee will remain in effect until June 30, 2012. The other provides full coverage for non-interest bearing transaction deposit accounts, regardless of dollar amount until December 31, 2009.

Eligible entities generally include any FDIC-insured depository institution, any U.S. bank holding company, including financial holding companies, and certain U.S. savings and loan holding companies. The interim rule includes a provision for certain otherwise ineligible holding companies or affiliates that issue debt for the benefit of an insured institution or eligible holding company to apply for inclusion in the program on a case-by-case basis.

Senior unsecured debt generally includes federal funds purchased, promissory notes, commercial paper, unsubordinated unsecured notes, certificates of deposit standing to the credit of a bank, bank deposits in an international banking facility of an insured depository institution, and Eurodollar deposits standing to the credit of a bank. Senior unsecured debt does not include, among other instruments, obligations from guarantees or other contingent liabilities, derivatives, derivative-linked products, debt paired with any other security, convertible debt, capital notes, the unsecured portion of otherwise secured debt, negotiable certificates of deposit, and deposits in foreign currency and Eurodollar deposits that represent funds swept from individual, partnership or corporate accounts held at insured depository institutions.

For purposes of the rule, the definition of a non-interest bearing transaction account generally encompasses traditional checking accounts that allow for an unlimited number of deposits and withdrawals at any time, and pays no interest.

The 15-day comment period begins upon publication in the Federal Register.

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Chairman's Statement:
http://www.fdic.gov/regulations/resources/TLGP/chairman_statement.html

Interim Rule: http://www.fdic.gov/news/board/TLGPreg.pdf - PDF (PDF Help)