

# 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 were automatically IN the program – needed to opt-out by Dec 5, 2009 if desired
- Can opt-out of either or both parts of the program
- Opt-out irrevocable (except in case of merger)
- Long-term non-guaranteed debt program elections due Dec 5, 2008 (to issue long-term non-guaranteed debt prior to extension program launch)
- 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

Deposit Coverage Through: December 31, 2009

Issuance of guaranteed debt through: June 30, 2009

Debt covered by the guarantee through: June 30, 2012

## Participants in Extended Debt Guarantee Program:

Issuance of guaranteed debt through: October 31, 2009

Debt covered by the guarantee through: December 31, 2012

## Eligible Institutions

- FDIC insured depository institutions (IDIs)
- U.S. bank holding companies (BHCs)
- U.S. financial holding companies
- U.S. S&L Holdcos (engaging in only permissible FHC activities or BHCA application pending)
- Affiliates of IDIs if FDIC approves application (after consult with 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) for each of the two programs

## 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

## March 17 Announced Surcharges

- Issued April 1, 2009 through June 30, 2009, one year or more maturity, mature by June 30, 2012: 10 bps IDI, 20 bps non-IDI
- Issued April 1, 2009 maturing after June 30, 2012: 25 bps IDI, 50 bps non-IDI
- Issued after June 30, 2009: 25 bps IDI, 50 bps non-IDI
- Surcharges deposited in deposit insurance fund (not withheld to cover TLGP losses)

## 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 int'l banking facility deposits, certain limited U.S. dollar bank-to-bank Eurodollar deposits; foreign currency denom. debt; mandatory convertible debt (mandatory convertible debt only w/ prior FDIC approval; application deadline June 30, 2009; guarantee expires upon conversion)
- **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 scheduled to mature before June 30, 2009 (including maturity 30-day or less)
- If above is zero (excluding overnight), 2% of consolidated total liabilities
- IDIs can issue their cap + parent holdco cap (if participating entity)

## Participants Issuing Long-Term Non-Guaranteed Debt\*

- Notify FDIC by 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 and Miscellaneous Information

- FDIC-guaranteed debt exempt from SEC registration and OCC Part 16 if matures no later than June 30, 2012

## \* Debt Guarantee Program Amendments March 17, 2009

## Extended DGP

- Extension DGP program eligibility (1) IDIs, (2) non-IDI's that issued FDIC-guaranteed debt prior to April 1, 2009 and (3) all other participating entities if FDIC approves application
- Ability to issue guaranteed debt terminates Oct 31, 2009 (rather than June 30, 2009)
- Guarantee expiration extended from June 30, 2012 to December 31, 2012 for new debt

## New Ability to Issue Non-Guaranteed Debt

- Must apply to FDIC
- If approved, can issue non-guaranteed debt of any maturity, without charge