



**JAMES L. McINTIRE**, Chairman  
State Treasurer

**CHRISTINE O. GREGOIRE**  
Governor

**State of Washington**  
**PUBLIC DEPOSIT PROTECTION COMMISSION**

**BRAD OWEN**  
Lieutenant Governor

July 20, 2009

Sheila Bair, Chair  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> St NW  
Washington D.C. 20429-0001

**Notice of Proposed Rulemaking regarding Possible Amendment of the Temporary Liquidity Guarantee Program to Extend the Transaction Account Guarantee Program with Modified Fee Structure**

Dear Ms. Bair,

I am writing to strongly support the extension of the Transaction Account Guarantee (TAG) program beyond its current December 31, 2009 expiration date, and I would prefer the extension were for a full year. The Washington Bankers' Association, the Community Bankers' Association, the Financial League and our state bank regulator all join me in full support of this extension. While our economy's rate of decline appears to be slowing and some positive signs are emerging, the economy and the financial system are both still fragile. Extending TAG will provide more time for economic growth to take hold and for our struggling financial institutions to regain their footing.

Our key interest is the safety and security of public funds, which can best be achieved by bolstering our financial institutions and spurring economic recovery. We passed new legislation and are applying strong oversight here in Washington State – in partnership with banking regulators, the financial industry, and government depositors – to reduce risks and liabilities for financial institutions and restore confidence among local government depositors. We set the goal for all public depositories to set aside 100 percent collateral for uninsured public deposits by June 30, 2009 and are happy to report that all 105 public depositories – with over \$8 billion in public funds on deposit – have reached this new higher collateral level.

The TAG program plays a major role in our efforts to strengthen protections for public funds by giving financial institutions a way to accept large public deposits in fully insured accounts that do not require collateral. Of \$8.2 billion in public deposits, nearly 55 percent – \$4.5 billion – is now in fully insured accounts. This gives financial institutions that serve as public depositories an added source of liquidity and also helps provide additional confidence and strength to private-sector depositors too.

Adopting your alternative to extend the TAG program allows more time for financial institutions to regain the capacity to offer government depositors longer-term interest bearing options – especially if public depositors can move to programs like CDARS, only recently made available

**Office of the State Treasurer**

General Administration Building, P.O. Box 40206 • Olympia, Washington 98504-0206 • (360) 902-9077  
TTY USERS: CALL 711 • FAX (360) 704-5177 • Home Page <http://tre.wa.gov>



Sheila Bair, Chair

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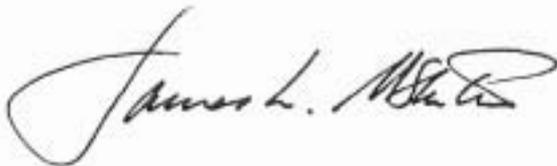
to our government depositors by changes to state law and rules. And, if you can find a way for FDIC to exclude reciprocal programs like CDARS from the definition of brokered deposits, more institutions can accept public deposits which can help facilitate a smoother transition away from reliance on the TAG program.

Our cash-strapped state and local governments need reliable banking services and investment options. They rely on interest earnings to pay for public services. We all need strong, stable and reliable financial institutions to provide public depositors with competitive rates and services whenever possible. Your proposal to extend the TAG program beyond its scheduled December 31, 2009 expiration date can help sustain the progress we have made, especially if it is possible to make this a 12-month extension.

It would be especially helpful if you can announce your decision as soon as possible. It is a fragile time for financial institutions, their customers, and the economy as a whole. Because many are already planning their future investments, deposit maturities and business activities through the end of the year, early action to extend the TAG program would add stability and strength to the economy. If you choose not to extend TAG, an early announcement will afford us more time to prepare for the end of the program in December.

We have made a lot of progress to better protect public funds while also reducing risks and liabilities for financial institutions, but much remains to be done at this still challenging time. Thank you for your help. Please do not hesitate to contact me directly should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. McIntire". The signature is fluid and cursive, with a large initial "J" and "M".

James L. McIntire,  
Commission Chairman and Washington State Treasurer