



July 29, 2009

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: RIN # 3064-AD37 Proposed Rulemaking Regarding Possible Amendment of the Temporary Liquidity Guarantee Program to Extend the Transaction Account Guarantee Program

Dear Mr. Feldman:

The Association for Financial Professionals (AFP) welcomes the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposed rule to extend the Transaction Account Guarantee Program that was created to strengthen confidence and encourage liquidity in the banking system. This program is currently set to expire on December 31, 2009. AFP recommends that this program be extended through June 30, 2010.

Due to the high level of economic uncertainty and challenges in accessing credit, many companies are building or maintaining historically high cash positions. According to AFP's June 2009 Liquidity Survey, 42 percent of organizations had increased their cash and short-term investment balances. This is the fourth consecutive year in which respondents to our survey, on net, have reported that their cash and short-term investment balances increased. At the same time, there is a notable dearth of safe and liquid investment alternatives in which finance professionals can invest these critical cash balances. As a result, companies report that their reliance on bank deposits for holding their short-term cash has increased significantly. According to the survey, more than 37 percent of short-term cash is currently allocated to bank deposits, with even greater reliance shown by small companies. Companies with under \$1 billion in annual revenue have placed over 45 percent of the short-term cash in bank deposits, while companies with under \$100 million in annual revenue have nearly 57 percent of their short-term cash held by banks.

By providing full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount, the FDIC has provided many organizations with a sense of principal security that is sorely needed during this period of uncertainty in financial markets. Until markets stabilize and institutional investors have a greater sense of confidence in other investment alternatives, the FDIC guarantee is serving an important purpose for U.S. companies. The FDIC Transaction Account Guarantee Program should be extended through June 30, 2010. Further, AFP contends that the FDIC should continue to monitor conditions in the money markets and should there be no improvements for short term investments, we believe that the FDIC should be prepared to offer additional extensions as necessary.

AFP understands the need for the FDIC to be compensated for assuming the additional risk that this guarantee program creates. However, it is important to recognize that these assessment fees are usually passed on to the bank's corporate clients, whether or not they are taking advantage of the TAG Program. This mitigates the value of the program for corporations and inadvertently creates a disincentive for companies to hold funds in non-interest bearing accounts. At the same time, the assessments may create an incentive for companies to move funds out of bank deposits in order to minimize FDIC assessments on their balances. Simply put, additional fees, if passed on to corporate depositors, may cause corporations to move cash from bank accounts to other vehicles that put their cash investments at greater risk and erode bank capital positions. These issues must be understood and given adequate consideration when deciding how to fund FDIC programs to ensure that those ultimately intended to benefit from them are not unfairly burdened or dissuaded from participation due to programmatic costs.

The membership of the Association for Financial Professionals (AFP) includes more than 16,000 financial executives employed by over 5,000 corporations and other organizations. AFP members represent a broad spectrum of financial disciplines and their organizations are drawn generally from the Fortune 1000 and middle-market companies in a wide variety of industries, including manufacturing, retail, energy, financial services, and technology. Many AFP members manage their organization's banking relationships and have an active interest and a sizable stake in the liquidity programs designed to add liquidity back into our nation's troubled capital markets.

We appreciate the opportunity to provide our thoughts on extending the Transaction Account Guarantee Program. If you have any questions about our comments, please contact Jeff Glenzer, Managing Director, at 301.961.8872 or jglenzer@AFPonline.org.

Sincerely,



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Chairman
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