THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.

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7/29/09

<u>Via email</u>

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

Re: RIN # 3064-AD37: 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 Mr. Feldman:

The Financial Services Roundtable[1] ("Roundtable") appreciates this opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") proposed amendments to the Temporary Liquidity Guaranty Program ("TLGP") to extend the Transaction Account Guarantee ("TAG") Program. The TAG program within TLGP is set to expire on December 31, 2009.

The TLGP continues to be an essential program to help provide liquidity to the financial markets during the current crisis. While it appears there has been improvement in the current economy, unfortunately, there still remains some uncertainty. It is because of this fact – the possible economic impact such an extension or a lack of an extension would have on the financial markets – that the Roundtable supports an extension of the TAG program.

The TLGP helps insured depository institutions alleviate concerns of customers that their balances are safe in light of the stories of bank closures, rating downgrades of banks, and governmental budget shortfalls dominating the news. Many of these customers (such as government entities and nonprofits) have a fiduciary duty to assure that their funds are safe and secure. Additionally, an extension will buy time for banks to reload their repurchase collateral portfolio in preparation for the discontinuation of the 100 percent coverage, and inevitable migration of funds back to investments.

[1] The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $85.5 trillion in managed assets, $965 billion in revenue, and 2.3 million jobs.

An increase in the assessment from ten (10) to twenty-five (25) basis points on non-interest bearing transaction accounts is of great concern to our members. Additional assessments, such as that proposed, are counter to the underlying goal of the TLGP to restore liquidity. Many banks will choose not to participate with such a significant assessment increase. This increased cost may also trickle down to the institution's customers. The Roundtable recommends that in order to increase participation in and the fairness of the TAG program, the FDIC consider implementing a risk-based assessment so that banks pay in accordance with the risk they pose to the program. Such an approach likely would increase the participation of lower-risk institutions, which may participate in the program in order to maintain competitive equality, yet may not participate at high assessment levels because of the program's lower perceived value. Such an approach also decreases adverse selection risk[2] and provides customers with greater choice and lower costs when institutions bearing lower costs choose to participate. Indeed, a risk-based approach is consistent with the FDIC's general risk-based insurance assessment system.[3]

Additionally, the Roundtable supports the part of the FDIC's proposal permitting insured depository institutions in the program to opt out of the TAG extension via email. The Roundtable also recommends that this opt-out be continuous, providing TAG program participants the opportunity to opt out throughout the extension period, and not simply on a one-time basis. Finally, the Roundtable recommends that the opt-out be transparent, and supports enhanced disclosure by all companies that continue in the TAG program or that decide to opt out of the extension to their consumers. This disclosure should include the institution's status in the program, as well as the amount that the non-interest bearing account is guaranteed.

Thank you again for the opportunity to share our views with you on this subject. If you have any questions, please feel free to contact me or Irving Daniels at 202-289-2417.

Sincerely,

Richard M. Whiting

Richard Whiting
Executive Director and General Counsel

[2] Adverse selection risk is likely higher if lower-risk institutions choose to opt out of a program because of significantly increased assessments, leaving a greater proportion of higher-risk institutions in the program.
[3] *See, e.g.* FIL-12-2009 ("In this rulemaking, the FDIC seeks to improve the way the assessment system differentiates risk among insured institutions by drawing upon measures of risk that were not included when the FDIC first revised its assessment system pursuant to the Reform Act. The FDIC believes that the rulemaking will make the assessment system more sensitive to risk. The rulemaking should also make the risk-based assessment system fairer, by limiting the subsidization of riskier institutions by safer ones.").