JPMORGAN CHASE & CO.

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July 29, 2009

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

Attention: Comments

Re: Extension of the TAG Program (RIN 3064-AD37)

Dear Mr. Feldman:

JPMorgan Chase & Co. ("JPMC") appreciates the opportunity to comment on the FDIC's proposal that the Transaction Account Guarantee ("TAG") Program of its Temporary Liquidity Guarantee Program either (i) be allowed to terminate by its current terms on December 31, 2009 or (ii) be extended for an additional six months with an increase in the assessment fee to 25 basis points.

The TAG Program was one of a series of emergency measures adopted by the FDIC and other government agencies to address the financial crisis. The overarching goal of these programs, and of the TAG Program in particular, was to provide temporary stability to financial markets and institutions so that they could return as quickly as possible to functioning without unnecessary government support. We believe that markets and institutions have made progress towards recovery since the TAG Program was implemented in the fall of 2008, and we expect they will continue to do so through the end of 2009. For example, a generally accepted measure of funding stability in the interbank market is the 3 month LIBOR / OIS (Overnight Index Spread) spread, which measures the degree of risk that has been priced into the interbank market. The spread is calculated as the difference in interbank lending cost for overnight borrowings (Fed Funds) versus the 3 month LIBOR term rates. During the market stress and uncertainty during September and October of 2008, when the FDIC implemented the TAG Program, this spread had reached a peak of 364 basis points. It has recently normalized to its historical range of 15-30 basis points. We believe that holding to the original December 31 termination date of the TAG Program will further encourage financial institutions to develop short and long term strategies to strengthen their balance sheets and attract

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depositors without reliance on extraordinary government support, and that the TAG Program should not be extended.

Moreover, the imposition of the assessment fees necessary to enable the FDIC to cover the guarantees will burden both depositors and the banks themselves in a counterproductive way. The current interest rate environment is historically low, and as Chairman Bernanke has recently testified, is expected to remain historically low over the near and medium term. Assessment rates of 25 basis points in this interest rate environment will, if passed along to the affected depositors, constitute an entirely inappropriate negative tax on those deposits and on those depositors, and encourage the withdrawal of funds. If on the other hand banks choose to simply absorb the cost of the fees, this cost will only further erode the capital strength of banks that should be building their capital base instead of paying it away.

One of the lessons of the banking and savings and loan crisis in the United States of the 1980's and of the banking crisis in Japan in the 1990's was that extraordinary government support that goes on for longer than necessary only makes the underlying problems worse, and prolongs the crisis. The original December 31 cut-off date was a sensible end date for the TAG Program when it was initially set, and it remains an appropriate time horizon for banks to incorporate into their planning.

That said, if the FDIC does decide to extend the Program through the first six months of 2010, we feel that the treatment of NOW accounts should be changed. Since the principal reason for the TAG Program was to protect business accounts rather than large personal accounts, we feel that the inclusion of NOW accounts was not justified from the beginning, and should not be included in any extension of the Program. If they are included in any extended TAG Program, however, we feel that the current cap of 50 basis points has caused pricing distortion in the markets and should be lowered. A cap of 25 basis points, based on current Fed Funds target rates, would more accurately reflect how NOW accounts had been priced in the markets before the TAG Program took effect, and should be the cap during the extension period.

Thank you for the opportunity to express our views on the proposal.

Very truly yours,

Normaddon