



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-48-2009
August 27, 2009

TRANSACTION ACCOUNT GUARANTEE EXTENSION

Third Quarter 2009

Summary: On August 26, 2009, the FDIC adopted the attached final rule extending the Transaction Account Guarantee (TAG) portion of the Temporary Liquidity Guarantee Program for six months, through June 30, 2010. For institutions that choose to remain in the program, the fee will be raised and adjusted to reflect the institution's risk.

Distribution:

All FDIC-Insured Institutions

Suggested Routing:

Chief Executive Officer
President
Chief Financial Officer

Related Topics:

Temporary Liquidity Guarantee Program

Attachment:

Final Rule

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Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2009/index.html.

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Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

Highlights:

- Any insured depository institution that is currently participating in the TAG program may continue in the program during the extension period that ends on June 30, 2010.
- The annual assessment rate that will apply to participating institutions during the extension period will be either 15 basis points, 20 basis points or 25 basis points, depending on the Risk Category assigned to the institution under the FDIC's risk-based premium system.
- Any institution currently participating in the TAG program that wishes to opt out of the TAG extension must submit its opt-out election to the FDIC on or before November 2, 2009. See page 2 for instructions on how to opt out.
- Any such election to opt out will be effective on January 1, 2010.
- Every institution currently participating in the TAG program should review its disclosures and modify them as necessary to ensure that they will be accurate after December 31, 2009.
- The maximum interest rate limit for NOW accounts remains unchanged.

**TRANSACTION ACCOUNT GUARANTEE EXTENSION
Third Quarter 2009**

On August 26, 2009, the FDIC adopted the attached final rule extending the Transaction Account Guarantee (TAG) portion of the Temporary Liquidity Guarantee Program for six months, through June 30, 2010. All insured depository institutions currently participating in the TAG program may continue in the TAG program during the extension period (i.e., January 1, 2010, through June 30, 2010). For those institutions that choose to remain in the program, the fee for the program will be raised and adjusted to reflect the institution's risk.

TAG Assessment: The annual assessment rate for the TAG program after December 31, 2009, will be raised to either 15 basis points, 20 basis points or 25 basis points, depending on the Risk Category assigned to an institution in the FDIC's risk-based premium system. All institutions participating in the extended TAG program that are assigned to Risk Category I of the risk-based premium system will be charged an annualized fee of 15 basis points on their deposits in noninterest-bearing transaction accounts for the portion of the quarter in which they are assigned to Risk Category I. Institutions in Risk Category II will be charged an annualized fee of 20 basis points on deposits in noninterest-bearing transaction accounts for the portion of the quarter in which they are assigned to Risk Category II. Institutions in either Risk Category III or Risk Category IV will be charged an annualized fee of 25 basis points on deposits in noninterest-bearing transaction accounts for the portion of the quarter in which they are assigned to either Risk Category III or Risk Category IV. The fee will apply to any deposit amounts exceeding the existing deposit insurance limit of \$250,000, as reported on the quarterly Call Report in any noninterest-bearing transaction accounts, including any such amounts swept from a noninterest-bearing transaction account into a noninterest-bearing savings deposit account.

One-time Opportunity to Opt Out: Institutions that wish to opt out of the extension period must do so on or before 11:59 p.m. EST on Monday, November 2, 2009. Any election to opt out will be effective on January 1, 2010. Any institution that opts out will continue in the TAG program through December 31, 2009, and must continue to report its TAG deposits accordingly. To opt out of the TAG extension, an institution must send an email to dcas@fdic.gov conveying the institution's election to opt out. The subject line of the email must include: "TLGP Election Opt Out – Cert. No. ____." The email must include the following: (i) institution name; (ii) FDIC certificate number; (iii) city, state and zip code; (iv) name, telephone number, and email address of a contact person; (v) a statement that the institution is opting out of the Transaction Account Guarantee program effective January 1, 2010; and (vi) confirmation that no later than November 16, 2009, the institution will post a prominent notice in the lobby of its main office and each domestic branch and, if it offers Internet deposit services, on its website clearly indicating that after December 31, 2009, funds held in noninterest-bearing transaction accounts will no longer be guaranteed in full

under the Transaction Account Guarantee program, but will be insured up to \$250,000 under the FDIC's general deposit insurance rules. Upon receipt of a conforming email, the FDIC will send an email reply confirming receipt of the institution's opt-out election and reiterating that the institution must comply with the appropriate disclosure requirements.

NOW Accounts: The maximum interest rate limit for NOW accounts remains the same. For purposes of the TAG program, the term "noninterest-bearing transaction account" will continue to include only those NOW accounts with interest rates no higher than 0.50 percent.

Arthur J. Murton
Director
Division of Insurance and Research