

Temporary Liquidity Guarantee Program

Public Comment

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In this word document, I've taken sections of the proposed regulation and cut and paste them into a separate word document. The section highlighted in blue (the words of the regulation) need to be written very very clearly and they are NOT.

Anything in RED is to be considered part of my comment.

Points I want to make regarding unlimited FDIC insurance for demand deposits.

1. 10 basis points is not an onerous charge. Every bank should be participating so that they are working hand in hand with the government to contribute to building of confidence in the banking industry. I would make participation mandatory.

But, if they are NOT going to make it mandatory, then:

2. They need to change regulation to clearly state that banks need to post a notice telling customers whether they have opted in or opted out. The regulation is unclear on this point. See my comments below in red.
3. Regulation should require that a prominent notice be placed ON the bank statement to every depositor that has an account. They should know what their bank is doing even if the regulation does not effect them. If the account does not receive a bank statement every month, then a separate notice must be mailed to that account holder (such as CD holders, etc).
4. The banks should be required to post notice of participation or NON-participation on their website. It should be as predominantly displayed as any 'advertisement' for new account, or credit card, etc. No less so.
5. The banks should be required to post notice of participation or NON – participation on the log-in screen of their internet banking and any other cash management system utilized by depositors to access their accounts or banking information.

On the question of including NOW accounts:

NOW accounts should be included. They are only allowed to be offered to sole proprietorships, non-profit religious, philanthropic, charitable organizations that are typically earning less than .25% anyway. Check the rates of major banks on these accounts.

And besides, with all the problems, government funding is being cut to these categories customers and they can use all the stability our system has to offer. Geez, how can you even think about not including NOW account????

FDIC's Temporary Liquidity Guarantee Program (TLG Program)

The FDIC is issuing this Interim Rule following a determination of systemic risk

Temporary Liquidity Guarantee Program has two primary components: the Debt Guarantee Program, by which the FDIC will guarantee the payment of certain newly-issued senior unsecured debt, and the Transaction Account Guarantee Program, by which the FDIC will guarantee certain noninterest-bearing transaction accounts.

unprecedented disruption in the nation's credit markets, the Congress, the Department of the Treasury, and the Federal Deposit Insurance Corporation (FDIC), along with other federal banking regulators, have taken steps to preserve the nation's confidence in its financial institutions and in the American and global economy.

The determination of systemic risk allowed the FDIC to take certain actions to avoid or mitigate serious adverse effects on economic conditions and financial stability. The FDIC announced a number of initiatives aimed at reducing the systemic risks that exist in the market, specifically relating to noninterest-bearing transaction accounts at insured depository institutions and senior unsecured debt of insured depository institutions and most U.S. holding companies of such insured depository institutions.

. Among the economic factors that the Board considered in making its determination were unduly tightened lending standards and terms, decreased borrowing, rapid outflows of deposits, reduced issuances of commercial paper and asset- and mortgage-backed securities, decreased and costly alternative funding mechanisms, and a lack of confidence in financial institutions based on embedded and uncertain balance sheet losses.

The TLG Program is designed to preserve confidence and encourage liquidity in the banking system in order to ease lending to creditworthy businesses and consumers. The TLG Program is a voluntary and time-limited program that will be funded through special fees without reliance on taxpayer funding.

The TLG Program became effective on October 14, 2008. For the first 30 days of the program, all eligible entities are covered under the TLG Program, and the guarantees provided by the TLG Program will be offered at no cost to eligible entities

On or before November 12, 2008, however, eligible entities must inform the FDIC whether they will opt-out of the TLG Program, and they may notify the FDIC on or before that date of their intent to participate in the program.

An eligible entity may elect to opt out of either the Debt Guarantee Program or the Transaction Account Guarantee Program or of both components of the TLG Program

In order to notify depositors and lenders when they are dealing with an institution that is covered by the TLG Program, an eligible entity's decision to opt out of either component of the TLG Program will be made publicly available. The FDIC will maintain and will post on its website a list of those entities that have opted out of either or both components of the TLG Program.

If an eligible entity **remains in** the Transaction Account Guarantee Program, the participating **entity must** prominently **disclose in writing** at its main office and at all branches at which deposits are taken **its decision to participate in or opt-out of the Transaction Account Guarantee Program**. These disclosures must be provided in simple,

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readily understandable text indicating the institution's participation or nonparticipation in the Transaction Account Guarantee Program. The disclosure must clearly state whether or not covered noninterest-bearing transaction accounts are fully insured by the FDIC. If the institution uses sweep arrangements or takes other actions that result in funds in a noninterest-bearing transaction account being transferred to or reclassified as an interest-bearing account or a non-transaction account, the institution also must disclose those actions to the affected customers and clearly advise them in writing that such actions will void the transaction account guarantee.

The above paragraph does NOT state that if an entity OPTS out, that they have to disclose this in writing to the public. Every financial institution is "IN" unless they "Opt Out". So if they only require entities that "remain IN" to make disclosure in their offices, then what are they doing about entities that "OPT OUT". They should be required to make disclosures in all their offices too. Among other things. Actually, participation should be mandatory to all financial institutions.

The guarantee provided for noninterest-bearing transaction accounts is in addition to and separate from the coverage provided under the FDIC's general deposit insurance regulations

Although the unlimited coverage for noninterest-bearing transaction accounts under the TLG Program is intended primarily to apply to transaction accounts held by businesses, it applies to all such accounts held by any depositor. Thus, for example, if a consumer has a \$250,000 certificate of deposit and a noninterest-bearing checking account for \$50,000, he or she would be fully insured for \$300,000 (assuming the depositor has no other funds at the same institution).

The Interim Rule includes a provision relating to sweep accounts. Under this provision, the FDIC will treat funds in sweep accounts in accordance with the usual rules and procedures for determining sweep balances at a failed depository institution. Under these procedures, funds may be swept or transferred from a noninterest-bearing transaction account to another type of deposit or nondeposit account. The FDIC will treat the funds as being in the account to which the funds were transferred.

Fees for the TLG Program.

All eligible debt issued from October 14, 2008 (and still outstanding on November 13, 2008), through June 30, 2009, will be charged an annualized fee equal to 75 basis points multiplied by the amount of debt issued, and calculated for the maturity period of that debt or June 30, 2012, whichever is earlier.

Participating entities are prohibited from issuing guaranteed debt in excess of the maximum amount for the institution. Participating entities are also prohibited from issuing non-guaranteed debt until the maximum allowable amount of guaranteed debt has been issued

If a participating entity nonetheless issues debt identified as “guaranteed by the FDIC” in excess of the limit established by the FDIC, it will have its assessment rate for guaranteed debt increased to 150 basis points on all outstanding guaranteed debt, and the participating entity and its institution-affiliated parties will be subject to enforcement actions including the assessment of civil money penalties, as appropriate.

If a participating entity wants to have the option of issuing certain non-guaranteed senior unsecured debt before issuing the maximum amount of guaranteed debt, it must elect to do so through *FDICconnect*

Deposit Guarantee

The Interim Rule provides that all insured depository institutions are automatically enrolled in the Transaction Account Guarantee Program for an initial thirty-day period (from October 14, 2008, through November 12, 2008). Insured depository institutions are not required to pay any assessments for participating in the Transaction Account Guarantee Program for this initial 30-day period.

will be assessed on a quarterly basis an annualized 10 basis point assessment on balances in noninterest-bearing transaction accounts that exceed the existing deposit insurance limit of \$250,000.

Assessments associated with the Transaction Account Guarantee Program will be in addition to an institution’s risk-based assessment imposed under Part 327 of the FDIC’s rules and regulations.

Under the rule, the FDIC’s obligation to make payment, in its capacity as guarantor of deposits held in noninterest-bearing transaction accounts, arises upon the failure of a participating federally insured depository institution.

In most cases, the FDIC will make the entire amount of a qualifying transaction account available to the depositor on the next business day following the failure of an institution that participates in the Transaction Account Guarantee Program. If there is no acquiring institution for a transaction account guaranteed by the Transaction Account Guarantee Program, the FDIC will mail a check to the depositor for the full amount of the guaranteed account within days of the insured depository institution’s failure.

Requests for comment

Should unlimited fdic insurance extend to NOW accts.... held by sole proprietorships, non-profit religious, philanthropic, charitable organizations

Failure to opt out by 11:59 p.m., Eastern Standard Time, November 12, 2008 constitutes a decision to continue in the program after that date. Prior to November 12, 2008 an eligible entity may inform the FDIC that it will not opt out of either or both programs (opt in).

An eligible entity may elect to opt out of either the guaranteed debt program or the transaction account guarantee program or both. The choice to opt out, once made, is irrevocable. Similarly, the choice to affirmatively opt in, as provided in § 370.5(c), once made, is irrevocable.

) *Disclosures regarding participation in the temporary liquidity guarantee program.*

(1) The FDIC will publish on its website:

(A) a list of the eligible entities that have opted out of the debt guarantee program and

(B) a list of the eligible entities that have opted out of the transaction account guarantee program.

Each eligible entity that is an insured depository institution must post a prominent notice in the lobby of its main office and each branch clearly indicating whether the entity is participating in the transaction account guarantee program, i.e., whether it has opted out. **(this is contrary to paragraph at bottom of page two/top of page three. You need to make the disclosure section very clear in black and white with no question as to which banks and how they need to effect disclosure!!!!)** If the entity is participating in the transaction account guarantee program, the notice must also state that funds held in noninterest-bearing transactions accounts at the entity are insured in full by the FDIC.

(A) These disclosures must be provided in simple, readily understandable text .

(B) If the institution uses sweep arrangements or takes other actions that result in funds being transferred or reclassified to an interest-bearing account or nontransaction account, the institution must disclose those actions to the affected customers and clearly advise them, in writing, that such actions will void the FDIC's guarantee.

(j) *Duration.*

(2) *Coverage for noninterest-bearing transaction accounts.* Funds held in noninterest-bearing transaction accounts at eligible entities will be guaranteed from October 14, 2008 through November 12, 2008. If the eligible entity does not opt-out of the transaction account guarantee program, the coverage will exist through December 31, 2009.