

Press Releases

Temporary Liquidity Guarantee Program

The Secretary of the Treasury, in consultation with the President and upon the recommendation of the Boards of the FDIC and the Federal Reserve, has invoked the systemic risk exception of the FDIC Improvement Act of 1991. This action will provide the FDIC with flexibility to provide a 100 percent guarantee for newly-issued senior unsecured debt and non-interest bearing transaction deposit accounts at FDIC insured institutions subject to the terms outlined below.

Scope of Eligible Entities

Eligible institutions would include: 1) FDIC-insured depository institutions, 2) U.S. bank holding companies, 3) U.S. financial holding companies, and 4) U.S. savings and loan holding companies that engage only in activities that are permissible for financial holding companies to conduct under section 4(k) of the Bank Holding Company Act ("Eligible Entities").

Scope of Liabilities

The FDIC's guarantee would apply only to the following liabilities:

- All newly issued senior unsecured debt issued by Eligible Entities on or before June 30, 2009, including promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. The amount of debt covered by the guarantee may not exceed 125 percent of debt that was outstanding as of September 30, 2008 that was scheduled to mature before June 30, 2009. For eligible debt issued on or before June 30, 2009, coverage would only be provided for three years beyond that date, even if the liability has not matured; and
- Funds in non-interest-bearing transaction deposit accounts held by FDIC-insured banks until December 31, 2009.

Fees:

Fees for coverage would be waived for the first 30 days. After the first 30 days, a fee would be imposed as follows:

- For all newly issued senior unsecured debt, an annualized fee equal to 75 basis points multiplied by the amount of debt issued under this program.
- For non-interest-bearing transaction deposit accounts, a 10 basis point surcharge would be applied to non-interest-bearing transaction deposit

accounts not otherwise covered by the existing deposit insurance limit of \$250,000. This surcharge will be added to the participating bank's existing risk-based deposit insurance premium paid on those deposits.

Duration:

The ability of Eligible Entities to issue guaranteed debt under this program would expire on June 30, 2009. Initially, all Eligible Entities will be covered under this program for a period of 30 days. Prior to the end of this period, Eligible Entities must inform the FDIC whether they will opt-out of the guarantee program. If an Eligible Entity opts out of the program, the guarantee on newly issued senior unsecured debt and non-interest-bearing transaction deposit accounts will expire at the end of the 30-day period, regardless of the term of the instrument. Eligible Entities availing themselves of the guarantee program will be subject to enhanced supervisory oversight to prevent rapid growth or excessive risk-taking. The FDIC will maintain control over eligibility in consultation with the primary Federal regulator.

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