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

Financial Institution Letter
FIL-15-2010
April 13, 2010

TRANSACTION ACCOUNT GUARANTEE EXTENSION

Interim Final Rule With Request for Comments

Summary: On April 13, 2010, the FDIC adopted the attached interim final rule extending the Transaction Account Guarantee (TAG) component of the Temporary Liquidity Guarantee Program for six months, through December 31, 2010, with the possibility of extending the program an additional 12 months without further rulemaking. For institutions choosing to remain in the TAG, the basis for calculating the current assessments is modified to one that uses average daily balances in TAG-related accounts. Interest rates on NOW accounts guaranteed under the TAG program are also lowered. Comments on the interim rule are due 30 days following its publication in the *Federal Register*.

Distribution:
All FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
President
Chief Financial Officer

Related Topics:
Temporary Liquidity Guarantee Program

Attachment:
Interim Final Rule

Contacts:
Christopher Hencke, Legal Division, (202) 898-8839 or chencke@fdic.gov; Donna Saulnier, Manager, Assessment Policy Section, Division of Finance, (703) 562-6167 or dsaulnier@fdic.gov; or Rose Kushmeider, Acting Chief, Banking and Regulatory Policy Section, Division of Insurance and Research, (202) 898-3861 or rkushmeider@fdic.gov

Note:
FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at http://www.fdic.gov/news/news/financial/2010.

To receive FILs electronically, please visit http://www.fdic.gov/about/subscriptions/fil.html.

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:

- The TAG program is extended for six months, through December 31, 2010. IDIs currently participating in the program that wish to opt out of the TAG extension must submit their request to opt out on or before April 30, 2010. Such election will be effective on July 1, 2010.
- The interim rule gives the FDIC's Board of Directors the authority to grant an additional 12-month extension of the program, through December 31, 2011, without further rulemaking, if it determines that continuing economic difficulties warrant such extension. IDIs participating in the extended TAG program are obligated to remain in the program an additional 12 months if it is extended.
- Beginning with the September 30, 2010, Report of Condition or Thrift Financial Report, the total dollar amount of TAG-qualifying accounts and the total number of accounts must be reported as an average daily balance.
- The maximum interest rate limit for NOW accounts guaranteed under the TAG program will be 0.25 percent, effective July 1, 2010.
- Every IDI currently participating in the TAG program should review its disclosures and modify them as necessary to ensure that they will be accurate after June 30, 2010.
- TAG assessment rates will remain the same during the six-month extension.

TRANSACTION ACCOUNT GUARANTEE EXTENSION
Interim Final Rule

On April 13, 2010, the FDIC's Board of Directors (Board) adopted the attached interim final rule providing a six-month extension of the Transactions Account Guarantee (TAG) program for insured depository institutions (IDIs) currently participating in the TAG program, with the possibility of an additional 12-month extension of the program without further rulemaking, upon a determination by the FDIC Board that continuing economic difficulties warrant a continued extension.

Change in Basis for Reporting for Assessment Purposes: Under the interim rule, beginning with the September 30, 2010, report date for the Report of Condition or Thrift Financial Report, the total dollar amount of TAG-qualifying accounts and the total number of accounts must be reported as an average daily balance. This will cover the period from July 1 through September 30, 2010. The amounts to be reported as daily averages are the total dollar amount of the noninterest-bearing transactions accounts of more than $250,000 for each calendar day during the quarter divided by the number of calendar days in the quarter. For days that an office of the reporting institution is closed (e.g., Saturdays, Sundays, or holidays), the amounts outstanding from the previous business day would be used. The total number of accounts to be reported should be calculated on the same basis. All institutions that do not opt out of the TAG program must establish procedures to gather the necessary daily data beginning July 1, 2010.

NOW Accounts: The interim rule reduces the interest rate on NOW accounts eligible for the FDIC's guarantee from a maximum of 0.50 percent to a maximum of 0.25 percent. The interim rule also requires participating institutions to commit to maintain the interest rate at or below 0.25 percent after June 30, 2010, and through December 31, 2010 (or December 31, 2011, if the Board further extends the TAG program).

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. EDST on Friday, April 30, 2010. Any election to opt out will be effective on July 1, 2010. Any institution that opts out will continue in the TAG program through June 30, 2010, and must continue to report its TAG deposits accordingly. To opt out of the TAG extension, an institution must send an email to optout@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 July 1, 2010; and (vi) confirmation that no later than May 20, 2010, 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 Web site clearly indicating that after June 30, 2010, 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.

TAG Assessment*:* The interim rule does not increase the current tiered-assessment structure.

Arthur J. Murton
Director
Division of Insurance and Research