Technical Briefing on the Temporary Liquidity Guarantee Program

Afternoon Teleconference
Tuesday, October 14, 2008

The teleconference convened from the Board Room at 550 17th Street, N.W., Washington, D.C., Arthur Murton, presiding.

PRESENT:
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ARTHUR MURTON
JOHN THOMAS
CHRISTOPHER SPOTH
JAMES WIGAND
RICHARD BROWN
FRANK LANGDON
MIKE MANN
BILL KING
JOHN EDWARDS
STEVE BUSH
JERRY ALTMAN
MATTHEW LEE
MARK EVANS
JEFF RUBIN
TOM SELINI
DAVE McMURRAY
KATRINA MITCHELL
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SAM SEEGAR
DAVID KNUTSEN
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PROCEEDINGS

OPERATOR: Good afternoon. Thank you for standing by. At this time, all participants are on listen-only mode. After the participation, we will conduct a question and answer session.

To ask a question at that time, please press star then one. Today's conference is being recorded. If you have any objection, you may wish to disconnect at this time. I will turn the meeting over to Mr. David Barr.

Mr. Barr, you may begin, sir.

MR. BARR: Thank you, and good afternoon. Thank you for attending today's technical briefing. This briefing is on background only. It's educational. It's not for attribution. It's just to give a better understanding of the technical aspects of the FDIC's new program.

In the room we have Art Murton, who will oversee the briefing. We also have John Thomas who is a Deputy General Counsel with the FDIC's Legal Division. Chris Spoth who is Deputy -- our Senior Deputy Director of our Division of Supervision and Compliance, I'm sorry, Consumer Protection. Jim Wigand, Deputy Director of our Division of Resolutions and Receiverships. Rich Brown, our chief economist. And some other staff members who may provide some data.

Art Murton will start off with a brief overview of the program and then we will open it up for questions at that time.

Art?

MR. MURTON: Great. Thank you, David. I'll spend five or ten minutes describing the program. As you probably have heard, this is something that's being done in concert with other parts of the government and in fact, in concern with other governments around the world who have put in various programs recently.

The three major components of the U.S. program are the Capital Injection Program that the Treasury is doing. The Federal Reserve is taking some steps with respect to the commercial paper market and then the FDIC is putting in place a temporary liquidity guarantee program which I'll describe.

This guarantee program is being put in place under -- with our invoking the systemic risk exception of the 1991 FDIC Improvement Act. That provision was put in so that in cases where systemic risk existed and that was the judgment of the FDIC Board, the Federal Reserve Board, and the Secretary of Treasury in consultation with the President, when they all made that finding, then the FDIC would have broader authority to address problems in the banking industry. And we are exercising that authority with this program.

The program guarantees two types of liabilities and I'll describe them. Basically, it's senior, unsecured debt issued by certain institutions during a certain period and the second type is deposits, in particular, non-interest-bearing transaction accounts will be provided full coverage for a period of time.

IN terms of eligible institutions, there are four types. The first are FDIC-insured institutions, banks and thrifts. The second is U.S. bank holding companies. The third is U.S. financial holding companies. And the fourth is U.S. -- certain U.S. savings and loan holding companies.

In terms of the liabilities being guaranteed, let me start with the senior unsecured debt. This would cover -- this program would cover newly issued senior unsecured debt from -- starting today and going through up until June 30th of 2009. That is the window during which these institutions can issue this government-guaranteed, fully guaranteed debt.

The amount of the debt that any one institution can issue during this period is -- has a limit and the limit is defined as follows; we will look at the amount of such debt outstanding on the bank's books as of September 30th of this year and, of that, the amount that is due to mature before June 30th of next year.

And we start with that amount and take 125 percent of that amount and that is the limit for an institution. The notion is that if that limit were 100 percent, that would essentially allow them to roll over the existing debt that matures within this window and have it guaranteed.

The extra 25 percent provides some cushion for some flexibility if the situation warrants that.

On the transaction accounts, the non-interest-bearing transaction accounts, the full guarantee will extend starting now and through December 31st of 2009 which, as you may know, is also the same date on which the temporary increase to $250,000 for deposit insurance coverage expires.

Now let me turn to the sort of start-up period. For the first 30 days of this program, all institutions that I described as eligible will be covered and they have 30 days to determine whether they want to opt out of the program. If they do not affirmatively opt out, then they will be a part of the program.

And banks that stay in the program will be subject to, as all banks are, to supervisory oversight, in particular to ensure that there's is not rapid growth or there is excessive risk-taking as part of this use of this guarantee.

And the eligibility for this program will be determined by the FDIC in consultation with the institutions' primary federal regulator.

And then finally, let me turn to the fees for the program, how we will pay for this program. For the debt that is being guaranteed, there will be a fee of 75 basis points, an annual fee of 75 basis points for debt issued under this program.

For the non-interest bearing transaction accounts, there will be a surcharge of 10 basis points applied to that portion of those accounts which is above the $250,000 limit. These fees will be collected and maintained in a separate account, separate from our regular deposit insurance fund or DIF. And those fees will be sequestered and used to pay whatever costs arise under this program if there are defaults and the guarantee is called on.

If it were the case that ultimately the fees that we've collected for this program were not sufficient to cover the costs that we incur under this program, that differential would be recovered through a special assessment on the banking industry as called for in the 1991 statute, when the systemic risk exception is invoked. And that special assessment is based essentially on liabilities of banks rather than the normal assessment base of deposits. And the important point of that is that that skews the burden of that more towards the larger banks because larger banks tend to have more liabilities relative to deposits than do smaller banks.

And that's it on the coverage and I think that's it on the fees. And I think that's a general overview of the program and we'd be happy to take questions.

MR. BARR: And we do realize there are bankers on the line. We are working with the trade associations on technical aspects that may be unique to their individual circumstances. So you know, we would, you know, just want to make sure that you are aware we are working with the trades or plan to work with the trades.

MR. MURTON: There will be financial institution letters and other forms of communication with the industry.

MR. BARR: Right. So Operator, at that, I think we can open it up for questions. Thank you.

OPERATOR: We'll now begin the question and answer session. If you would like to ask a question, please press star then one. Please unmute your phone, and record your name clearly and promptly. Your name is required to introduce your question.

To withdraw your request, press star then two. Once again, if you would like to ask a question, please press star, then one.

One moment, please, while we wait for the first question.

One moment, please.

The first question comes from Frank Langdon (Phonetic). Your line is open. Please ask your question.

MR. LANGDON: It's a question on guaranteeing these non-interest-bearing deposits. Why not guarantee all deposits as some other countries have done?

MR. BARR: Right, there was a question about that. And the -- I think there are two parts to that answer. The first is that the guarantee for these transaction accounts, we think will help with some of the liquidity pressures that we've seen on what in many cases are healthy and certainly viable institutions. The withdrawal of these accounts have put severe and, in some cases, liquidity pressures on otherwise healthy institutions and forced some resolution process there.

The second is that there was a concern that a full guarantee on bank products that are essentially savings vehicles or investment vehicles that had an attractive return would create other issues within the financial system with, for example, money market mutual funds and so forth. So the decision was made to be more focused on the transaction accounts.

MR. LANGDON: When you say create other issues, could you be more specific?

MR. BARR: Well, there were concerns about competitive equity with other types of investment vehicles in the financial system.

MR. LANGDON: Thank you.

OPERATOR: The next question comes from Mike Mann (Phonetic), please ask your question.

MR. MANN: Yes, hi. I'm calling to see why -- when do you think that the banks will actually get this money, the nine large banks that you guys did a deal with yesterday? When are they actually going to receive the money?

MR. BARR: I'd love to answer that, but that's -- what you're talking about, I believe is the Treasury program to inject capital into institutions and that is not a program that's administered by the FDIC. So unfortunately, that's not really something I'd feel comfortable addressing.

MR. MANN: Do you know if that's been disclosed?

MR. BARR: I had heard that they were looking to that have program by mid-November, I believe.

MR. MANN: Thank you.

MR. BARR: I think there's going to be some communication on that relatively soon if there hasn't been already by Treasury and so that's what I would be looking for.

OPERATOR: Our next question is from Bill King. Your line is open. Please ask question.

MR. KING: Yes. I have two questions, if I may. First one, the debt guarantee just applies to senior debt. I was wondering if you had B the reason subordinated debt was left out or any thought given to that?

MR. BARR: Yes, I think the thought was that the subordinated debt is more, you know, people know they are taking risks there and that's more of an instrument where people are looking for returns associated with riskier B and it may not be as critical to unclogging the financial system as the senior debt, particularly the inter-bank debt. You know, we've just seen where banks aren't lending to one another, and we wanted to address that.

MR. MURTON: Yes, the objective of the program, of this program, is more targeted to increasing liquidity for depository institutions and not so much as building capital, which the Treasury program is addressing and for subordinated debt does get treated as a tier 1 capital.

MR. KING: Okay, thank you. If I may just another question. I think it's quick. Just a clarification. If there is an industrial company that owns a limited-purpose bank, like an industrial loan company, which is FDIC-insured, so that bank would qualify to have its debt guaranteed by the FDIC, but could it issue enough debt to cover debt maturing for its parent company, which isn't the bank holding company or a financial holding company?

MR. MURTON: Well, there are restrictions on the ability of valued or funds to flow from the bank to the affiliate or the parent.

MR. KING: Okay. I assume that would fit, would that kind of fit under the 125 percent limit?

MR. MURTON: Yes.

MR. KING: Debt at the bank?

MR. MURTON: Yes.

PARTICIPANT: The bank would have to comply with 125 percent limit in terms of its borrowing, but it would also have to comply with the restrictions of Section 23A and 23B in terms of transactions with affiliates, and you can run into pretty serious problems pretty quickly funding holding companies through the bank.

MR. KING: Perfect, thank you.

OPERATOR: The next question comes from (Inaudible.) Please ask your question.

PARTICIPANT: Good afternoon. How does the FDIC define inter-bank funding and the unsecured function of secured debt for this program? Basically, I'm interested in knowing what instruments fall under those two categories.

MR. SPOTH: Chris Spoth here. Inter-bank funding is by definition credit extended from one bank to another. That could be, for an example, it could be a federal funds transaction perhaps or even a term note position of some kind.

The unsecured portion of secured debt could, for example, be in a repo transaction or some kind of transaction like that where the underlying asset collateral might have an exposure position in there.

PARTICIPANT: Could it also be a trust transaction, trust preferred security?

MR. SPOTH: I don't believe trust preferred accounts as a debt. That's an equity holding.

PARTICIPANT: Okay, thank you. And sir, what's your name again?

MR. SPOTH: Chris Spoth.

MR. BARR: Again, this is on background so its not for attribution. It's just for educational purposes to understand the details of our plan.

PARTICIPANT: Thank you.

OPERATOR: Our next question comes from John Edwards. Please ask your question, sir.

MR. EDWARDS: Really basic question. On the non-interest-bearing accounts that you would be guaranteeing, I just wanted to make sure I understand this. It sounds like it is potentially unlimited and that it's geared toward small businesses that may have payroll, that may have other things that are non-interest-bearing accounts and they don't want to take a risk on losing their deposits with those accounts and don't want to split it between multiple banks.

I'm wondering if that is correct understanding, and secondly, if this would benefit primarily the community banks which apparently I'm hearing that many of the depositors are most fearful of rather than the giants.

MR. MURTON: I think the first part of your question is an accurate, you know, interpretation of things. In terms of whether I think it will benefit some community banks, we certainly heard that. And I think it actually benefits them all. I think even the larger banks have accounts that will benefit this.

MR. WIGAND: Just as a point of clarification, the non-interest-bearing transaction accounts basically have, basically note what I characterize as high balances frequently due to, as you indicated, payroll and business purposes. There have been increases as you know in the deposit insurance coverage for interest-bearing accounts to $250,000, and so most consumers do fall into that category for their savings and even for other types of interest-bearing transaction accounts.

MR. EDWARDS: Thank you.

OPERATOR: Our next question comes from Steve Bush (Phonetic). Your line is open. Please ask your question.

MR. BUSH: Yes. Under the short-term debt coverage, would Fed funds purchased by the New York branches of foreign banks be covered under this program?

PARTICIPANT: Fed funds purchased, if it's the bank that's the issuer, whoever purchased -- and the bank is covered, whoever purchases it would get the benefit of the guarantee.

MR. BUSH: Right, so in the case where a bank is lending on a bank from a New York branch, a foreign bank, a Canadian bank, a French bank, a German bank, would that Fed funds --

MR. MURTON: If they're a lender to the foreign branch, I believe the answer is, yes, if it's an FDIC-insured institution, is that correct?

MR. BARR: If the lender is an FDIC-insured institution, the answer would be the guarantee applies.

MR. BUSH: So the guarantee adheres to the lender and not to the borrower.

MR. MURTON: I know I've gotten at least one call on this question and we have not worked out all the details on this question, in terms of exactly how foreign branches fit in here. We expect to do that relatively shortly.

MR. BUSH: That would be helpful.

OPERATOR: Our next question comes from Jerry Altman (Phonetic). Your line is open.

MR. ALTMAN: Can you clarify how the 125 percent limit works for Fed funds?

MR. MURTON: Yes, we're working out the details on that.

PARTICIPANT: I think what's contemplated is it would be 125 percent of all the aggregate borrowings that would come under the qualification of senior unsecured debt at September 30th. So you'll need, if a bank is going to participate in this program and look for the guarantee, they'll need to identify what their outstandings were of all those categories as of September 30th and then 125 percent of that will be the upper-most limit.

MR. ALTMAN: Not by type.

PARTICIPANT: Not by type, but by the aggregation.

MR. ALTMAN: For the debts that mature before June 30 of 2009?

PARTICIPANT: Yes.

MR. ALTMAN: Thank you.

OPERATOR: Matthew Lee (Phonetic), you may ask your question.

MR. LEE: Thanks a lot. Two questions. One is, you said at the beginning that eligible institutions include only some savings and loan holding companies. So could you say which, on what basis the ones that are excluded are being excluded and what the reason for that is?

MR. MURTON: There are a handful of savings and loan holding companies that are grandfathered under provisions that are 15 or 20 years old, at least by now, where their commercial owners, companies own them. Today, they could not qualify as a thrift holding company, but they did at the time they bought these a number of years ago.

There are also -- well, that's the holding company question.

So thrift holding companies would be eligible if they are engaged only in the same businesses that a bank holding company could be engaged in.

MR. BARR: Yes, the idea is not to extend this guarantee to commercial firms.

MR. LEE: Right, got you. And the other one, maybe you'll answer it or not, but in this situation around Wachovia and Wells Fargo, do you guys still view that -- is that an emergency transaction or is not an emergency transaction, in terms of getting regulatory review and public comment and all that?

MR. BARR: I don't think we're ready to comment on specific institutions.

OPERATOR: The next question comes from Mark Evans (Phonetic). Your line is open.

MR. EVANS: On the senior unsecured debt program, do I perceive correctly that that is an opt-in program on a debt-by-debt basis, whereas certain debts of each bank either could be or could not be guaranteed based on whether the bank chose to guarantee it and pay the fee?

MR. MURTON: I want to be clear, the program is an opt-out program, but if a bank were remaining in the program and you're asking whether there are certain debts that would be eligible that they could exclude -- is that correct?

MR. EVANS: Yes. I'm trying to figure out if there will be a differentiation between debt or Fed fund borrowing and so forth of an individual institution. For example, if they went over the 125 percent limit or if they had a mixture of debt that they issued during this time period.

MR. MURTON: Right. I think the 125 is kind of a fixed number and then I think if you have gone beyond that, I think you'll still have the ability to issue debt, but it would not be guaranteed. And then I think you're asking also could you, during the program while you're still under the limit choose to say I'm going to issue some debt that is not guaranteed. Am I thinking about your question right?

MR. EVANS: Yes, you're thinking about it right, and I'm trying to figure out how the person that is borrowing -- that they are borrowing the funds from would know the difference between what's guaranteed and what's not.

MR. BARR: I think it's a couple of things here. I think it's critically important for those that plan on doing that, that they work closely with their primary federal regulator, they work closely with their -- with the FDIC, and of course, they would make that representation that it does have that guarantee and we need to be part of that process that's made.

MR. MURTON: And we're expecting to put out either guidance or regulations of some sort about this in the relatively near term.

OPERATOR: Once again, to ask your question, please press star, then one. Just as a reminder, please remember to unmute your phone and record your first and last name.

Our next question comes from Jeff Rubin (Phonetic). Your line is open. Please ask your question.

MR. RUBIN: Yes. I was wondering. You had mentioned if you opt out, obviously, you're not assessed the fees, but if there was a shortfall, that there would be an assessment of all banks and I guess all participants under this. Would that be for all those that opted out as well?

MR. BARR: Yes, it would. That's what the statute calls for.

MR. RUBIN: Okay, and then the 30 days, does that start immediately?

MR. BARR: Yes.

MR. RUBIN: Thank you.

OPERATOR: Our next question comes from a (Inaudible). You may ask your question.

PARTICIPANT: Question regarding the eligible institution. So financial holding companies has been mentioned as eligible. Now can you define what a financial holding company means? Would it include specialty finance companies, would it include other companies?

MR. BARR: Basically, there was an expansion a few years ago from bank holding companies to allow certain things basically some more investment banking-like activities. But the activities of the financial holding company are quite similar to those of a bank holding company. And you have to be registered with the Federal Reserve and qualified as a financial holding company.

PARTICIPANT: And how easy is it to get registered as a financial holding company if one were decided to take that -- it seems like insurance companies and specialty finance companies would not be eligible.

MR. BARR: That would be a matter -- the Federal Reserve would have to deal with that. I don't have really a basis for expressing an opinion on how hard it would be.

PARTICIPANT: And one final question. Have you quantified the amount of debt that would be eligible under this program? I'm sorry if you have already mentioned that.

MR. BARR: The amount of debt eligible under that program?

PARTICIPANT: Yes. Meaning the 125 percent limit, so do you have a sense of how much of the debt would potentially be?

MR. BARR: Yes, we have to make some assumptions working with the unsecured debts. It's broken down by secured and unsecured as well as maturing within a year and not -- and over a year, but not both of those together. So making a couple of assumptions and working back through the holding companies, as well.

We come up with about $1.4 trillion total for those categories. And then obviously you have to work in, make more assumptions about how many will increase under the 125 percent limit. But that gives you a ballpark figure for how much could be eligible.

PARTICIPANT: Shouldn't it be nine months, instead of one year?

MR. BARR: I'm sorry?

PARTICIPANT: It's nine months, right, not sort of one year eligible because it starts -- they are looking at maturities from September '08 to June '09?

MR. BARR: That's correct.

PARTICIPANT: Okay, thank you.

OPERATOR: Our next question comes from David Knutsen (Phonetic). You may ask your question.

MR. KNUTSEN: Hi, just two quick questions. They've both somewhat been addressed. The financial holding companies on the Federal Reserve website, there is a list that publishes that as of October 1st. Is that the list or is that the -- will you be looking at those institutions or will you allow other institutions to add to that list?

MR. BARR: We're looking to the official designations by the Federal Reserve as things they've accepted as financial holding companies.

I don't know exactly what the list is that you're looking at, but we're looking to the Fed to make that decision.

MR. KNUTSEN: One quick follow-up question that goes to another question regarding the guarantee for a senior bank and senior holding company. I guess one question I have is subordinated bank, you would think would be still a regulated entity and closer to the assets and operations of a company as compared to a holding company which would be one step away and generally.

So I guess I'm trying to understand the idea that you're not addressing liquidity. You're addressing liquidity, but you're not addressing capitalization with these measures. But I guess I'm still a bit confused about the sub-bank or leaving sub-bank out and including senior bank.

MR. SPOTH: I think it's -- Chris here. It's clear enough that the Government wants to take a senior position along with the other senior positions and not subordinate credit that is clearly designed from the get-go.

MR. KNUTSEN: Okay, thank you.

OPERATOR: Our next question comes from Ike Jones (Phonetic). Your line is open. Please ask your question.

MR. JONES: Hi. This is Ike. I have a couple of questions, one for each part of the program. First, the senior debt guarantee. What would be the criteria for eligibility for banks that did not have the outstanding senior unsecured debt as of September 30th?

MR. BARR: You know, we're going to try to make a case-by-case allowance for institutions that are in that class and we'll have to work through that process now for somebody that is there, if they would contact their primary federal regulator, we could begin a discussion about that to recognize that issue.

MR. JONES: But do you have any sense of what might be some of the criteria that you're looking at for eligibility?

MR. BARR: Regrettably, not at this time.

MR. JONES: Okay, then the second question, actually, while we're still on the senior debt guarantee, is it just any debt that's not subordinated and not secured? Everything falls into that? Because it sounds like Fed funds does, but trust preferred securities does not.

MR. BARR: Any contractual debt instrument would be covered. We're not covering tort claims and things like that.

MR. JONES: On to the increase of the non-interest-bearing transaction accounts, my assumption is, what you have described even though the regular deposit insurance of premiums are assessed against the whole domestic deposit base, just those amounts, the newly insured amounts under this guarantee program would be assessed the surcharge. Is that correct?

PARTICIPANT: That's correct.

MR. JONES: With the funds that are swept between MMDA to transaction accounts, which is the arrangement that a lot of community banks have for their commercial customers, how is it going, how is this new guarantee going to operate with respect to them? At what point do those funds receive the coverage? At what point will these be assessed, et cetera?

MR. BARR: I think you raise an extremely important point for people to be aware of. If a sweep takes place, well, if there is a bank failure, the FDIC is going to impose its regulations and its normal practices, which includes completing sweeps at the end of the business day in the normal situations. So if a sweep is set up to be in a demand deposit account during the day, but go into an interest bearing account at night, that's going to, and the closing is effective as of the time that that has occurred, then there will not be coverage, increased coverage because it will not be a non-interest-bearing transaction account. So people need to be aware, banks and customers need to be aware that if you have a sweep into an interest bearing account, when it is swept into that, it is not covered by this rule.

MR. JONES: So the sweep will occur no matter what?

MR. BARR: If it is set up to occur automatically, at the close of business, which a lot of them are, our regulation, which we adopted a few months ago, before this sort of thing really became a hot issue, was we would complete the day's business, which includes completing the sweeps, and we would determine deposit insurance coverage and other legal rights based on where that money rests overnight, which we also require in the reg be the same as the way it is reported on the call reports.

MR. JONES: And one more, so how will the amount of deposits subject to the surcharge be determined? Is there a specific place in the call report for this and are there changes? How are we going to know?

PARTICIPANT: Well, that is one of the issues that we're trying to work through right now, but a change to the call report is something that we are thinking about.

MR. JONES: And back on the MMDA question, are you all going to put some specific bills out about this and give some more official kind of wording about that?

MR. BARR: We are making events like this available. We are putting out financial institution letters and we do have a call center that is answering questions. I think the point that was raised can certainly be clarified.

MR. JONES: Appreciate it. Thank you.

MR. BARR: Sure thing.

OPERATOR: Our next question comes from Tom Selini (Phonetic). Please ask your question.

MR. SELINI: Hi, a couple of questions. I guess the first one you mentioned, you know, the repo being part of what's being considered here. In the eligible entities, are the broker dealer, the main entities of the broker dealer, the new bank holding companies, are they part of this as well, because that's where most of the most repo lies? Is that an eligible entity that would be able to issue guaranteed repo through this, through the intent of this?

MR. BARR: No, only the bank holding company or financial holding company or thrift holding company or the insured entity itself is eligible for the guarantee.

MR. SELINI: So what would be, I mean, why would you guys expressly talk about, the unsecured portion of the secured debt which is really repo, right, is what you're referring to there?

MR. BARR: There could be other types. And banks do do repurchase agreements. Basically, what we're trying to do is say that, if someone turns out to be under secured, they're not going to be in a worse position than if they had taken a totally unsecured position at the same time from the same bank. That was what that was -- we don't expect that that would actually apply very often, because normally people do take adequate security, but we didn't think it made sense for someone who thought they had a secured position actually end up with a loss when, if they had taken an unsecured position they would have gotten 100-percent guarantee.

MR. SELINI: Okay, and as far as senior obligations, is there any intent to cover conditional liquidity for things like TOBS or asset-backed commercial paper programs?

MR. BARR: No, I don't believe there's -- if you're talking about contingent liabilities, I don't believe the answer is -- those are not covered.

MR. SELINI: Okay. And then just one last one on the -- so I just understand. I understand what you're saying about the sweep. If -- this is away from the SME corporates, but as long as you have money in non-interest-bearing accounts at the end of the cay, regardless of the -- if it's institutional corporate, whatever, that would be protected by the new FDIC insurance up to an unlimited amount, is that correct?

MR. BARR: Non-interest-bearing transaction account, basically demand deposit accounts.

MR. SELINI: Okay, so only demand deposit accounts?

MR. BARR: Yes.

MR. SELINI: Okay. Anything -- if you had an account that was not a demand deposit account, but was non-interest-bearing, that would not be covered by this?

MR. BARR: That's correct.

MR. SELNII: Okay, thank you.

OPERATOR: Our next question comes from Dave Franklin McMurray. Your line is open. Please ask your question.

MR. McMURRAY: Just to be sure I understand this about unsecured debt, by way of example, if a community bank holding company had no unsecured debt as of September 30 this year, there is no provision for them to come within the guaranteed provisions if they create new debt. Is that correct?

MR. BARR: That's correct as written, but we do want to consider that and address it in the very near term. So it is an issue that has come up.

MR. MURTON: We can be prepared to talk on an institution-by-institution basis, but unless there is a specific agreement with the PFR and the FDIC, then there would not be any capacity. But if there's a good reason, and there's a plan on how to do it, and the PFR -- if things then make sense and we can certainly talk about it.

MR. McMURRAY: Thank you very much.

OPERATOR: Our next question comes from Katrina Mitchell. Please ask your question.

MS. MITCHELL: Hi, there. I have two questions. My first question, if I understood the speaker right, if a bank decides to purchase a paid in either program either the unsecured debt or in the insurance for the non-interest-bearing transaction account, did the speaker say that the FDIC would work in conjunction with the bank's primary federal regulator to determine if the bank is eligible to participate?

If that's true, would the FDIC work with the bank's state regulator if the state regulator were the primary regulator?

And my second question is what number or percent of banks do you anticipate would not participate in the insurance of the non-interest-bearing DBA accounts program?

MR. BARR: I think if I can take a number of pieces there, see if I touch on each one of them, but with respect to the eligibility, all banks and holding companies are eligible from the start. There isn't an exclusion until somebody opts out.

The consultation with the primary federal regulators and I would say the states as well for state-chartered institutions, there would be a consultative process there as well.

MR. MURTON: We expect a very large portion of banks to be involved in these programs. We hope they will be and we expect them to be. We think they're very favorable compared to the alternative -- economic alternatives.

OPERATOR: Our next question comes from Tony Koons (Phonetic). Your line is open. You can ask your question.

MR. BARR: Before I answer this question, we'll have time for one more question. Thank you.

So after Tony goes, we'll have time for one more question, okay, operator?

OPERATOR: Yes, sir.

MR. BARR: Thank you.

OPERATOR: Mr. Koons?

MR. KOONS: Yes, thank you. The question has to do with, again, the eligible debt. Will this senior debt or inter-bank funding, will that encompass term Euro dollars or institutional CDs that might have been issued to other banking institutions?

MR. MURTON: I'm not certain that I fully understand the question. If newly issued, all this is only newly issued debt. We haven't really gotten into that level of detail, to be honest.

MR. BARR: It has to be a senior position. It has to be unsecured and it has to be new, if that's helpful.

MR. MURTON: Perhaps you can explain the context a little better. I'm not sure it's going to be --

MR. KOONS: Yes, where an institution might have -- with the way the recent market has been going, there has been -- there have been banks that have been willing to accept large CDs in lieu of what might have been a term Fed fund or other debt instrument.

MR. BARR: Deposits are not debt instruments for purposes of the guarantee.

MR. KOONS: Okay, would Euro dollars work for that? Debt in the form of a Euro dollar that would have been issued to a money market fund or other investor?

MR. BARR: It sounds like we better take that question up. We have a numBer of people here that maybe we would take that question offline.

MR. KOONS: Okay.

OPERATOR: Our next question comes from Louis (Inaudible). Your line is open. Please ask your question.

PARTICIPANT: Thank you. All of my questions have been answered. Thank you.

OPERATOR: And we have a question from Sam Seegar (Phonetic).

OPERATOR: This one will be the last question. I also want to remind the listeners that, on the advisory that was issued today. This will be archived for one week by calling the same 800 number back and entering a new seven-digit pass code 8986993. So if you want to go back and listen to this conversation it's there.

And also the briefing from this morning is also available on our website. If you go to the press release that was issued today by the FDIC on the program, at the bottom, there are several attachments. One of those is a link to the earlier briefing.

OPERATOR: Our last question comes from Ms. Seegar. Ms. Seegar?

MS. SEEGAR: Hi, I have a couple of different questions. I just want to verify again about the opt-in and opt-out program. I understand that we're in the program unless we choose to opt out. And if I understood you correctly, it's for both programs. For instance, we -- if we didn't have any unsecured debt at quarter end, we can't use that program, but we're still -- if we're going to opt in for the deposit part of it, we're going to be opted in for both parts. Is that correct?

MR. BARR: It's an opt-out program, but you can opt-out of one and stay in the other.

MS. SEEGAR: Oh, you can. Okay. So you can choose to be in one or the other. That clarifies that. Thank you. And again, the case-by-case allowance for -- if it's September 30th, say that September 29th we had a certain amount of unsecured debt and then on September 30th we had none, we're not eligible for the program for the unsecured debt unless our federal regulator makes a special case-by-case allowance for us?

MR. BARR: The federal regulator and the FDIC.

MS. SEEGAR: Okay.

MR. BARR: We wanted to leave some flexibility there, but we want the program to be controlled. We don't want it to be used for uncontrolled growth or funding reckless lending. At the same time, what we are trying to do and what the Fed and the Treasury are trying to do, in part, is to open up lending, inter-bank lending, but also to make sure that banks have the liquidity to do lending to quality credits, be in the business that you're in.

MS. SEEGAR: The unsecured debt issue, I was think of Fed funds sold. And on a day-to-day basis, you can have large fluctuations in your deposits, depending on your customers, so it really is just a matter of, on the 29th we may have had $100 million and then on the 30th, zero, but that can be just because of fluctuations with our depositors.

MR. BARR: Right, that's understood and that's why we built in the feature of the case-by-case exception because we don't have the cap because you don't have the outstanding. so that's going to take a little bit more specific communication and a management between the regulators and the issuer.

MS. SEEGAR: Okay, great. Thank you, again for answering all these questions. Thank you.

MR. MURTON: Thank you for your participation.

OPERATOR: This is the end of the conference. Thank you for joining us.