FDIC

Press Releases

FDIC Board of Directors Approves Extension of Transaction Account Guarantee Program

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The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved an interim rule to extend the Transaction Account Guarantee (TAG) program to December 31, 2010. Last year the program was extended to June 30, 2010. Under the TAG program, customers of participating insured depository institutions are provided full coverage on transaction accounts. The interim rule gives the Board discretion to extend the program to the end of 2011, without additional rulemaking, if it determines that economic conditions warrant such an extension.

FDIC Chairman Sheila Bair said, "It's necessary to extend the TAG program because the lingering effects of the financial crisis that emerged in 2008 in large systemically important banks have now spread to institutions of all sizes, particularly in regions suffering from ongoing economic weakness. Allowing the TAG program to expire in this environment could cause a number of community banks—already under stress—to experience deposit withdrawals from their large transaction accounts and would risk needless liquidity failures. This reflects the continuing legacy of too big to fail and the different liquidity pressures our community banks experience as a result."

The TAG extension will provide a continued stable funding source for participating banks and will help them maintain their ability to secure low-cost, large deposits, thereby preserving their deposit franchise value and supporting the rebuilding of their earnings and capital, which in turn protects the Deposit Insurance Fund.

Bair said, "I believe it's a wise decision to keep the rates for the TAG program at current levels so as to enable most participating institutions to remain in the program and retain liquidity to support lending needed for our nation's economic recovery. Ultimately, it should be up to Congress to determine our insurance limits, and I hope this will receive prompt attention."

Nearly 6,400 insured depository institutions, about 80 percent of the industry, continue to participate in the TAG program and benefit from the guarantee provided by the FDIC. These institutions held an estimated $266 billion of deposits above the insured deposit limit and guaranteed by the FDIC through the TAG program as of the end of 2009. Under the interim rule, participating institutions can opt out effective July 1, 2010. Last year the Board adjusted the assessment rate to make it risk based and approved an increase in the rates; the current rates will remain unchanged under the interim rule. The Board also voted to require TAG assessment reporting be based on average daily account balances and to reduce the maximum rate that can be paid for qualifying NOW accounts to 0.25 percent from 0.50 percent.

There will be a 30-day public comment period upon publication in the Federal Register.

Attachments:

Memorandum - PDF and resolution re: Interim Rule with Request for Comment: Temporary Liquidity Guarantee Program - PDF. (PDF Help)

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