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Press Releases

FDIC Board Approves Phase Out of Temporary Liquidity Guarantee Program Debt Guarantee Program to End October 31st

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The Federal Deposit Insurance Corporation Board today adopted a Notice of Proposed Rulemaking (NPR) that reaffirms the expiration of the debt guarantee component of the Temporary Liquidity Guarantee Program (TLGP) on October 31st, 2009. Under the NPR, the FDIC will seek comment on whether a temporary emergency facility should be left in place for six months after the expiration of the current program.

"The TLGP has been very effective at helping financial institutions bridge the uncertainty and dysfunction that plagued our credit markets last fall," said FDIC Chairman Sheila C. Bair. "As domestic credit and liquidity markets appear to be normalizing and the number of entities utilizing the Debt Guarantee Program (DGP) has decreased, now is an important time to make clear our intent to end the program. It is also important to note that the FDIC has collected over \$9 billion in fees associated with this program. The FDIC will be using some of this money to off set resolution costs associated with bank failures."

There are two alternatives contemplated under the NPR. Under Alternative A, the DGP would expire as provided for by the FDIC's existing regulation on October 31st, 2009 with FDIC's guarantee for such debt expiring no later than December 31, 2012. Under Alternative B, the DGP will expire as provided for in the current regulation, however, the FDIC would establish a six-month emergency guarantee facility to be made available in emergency circumstances to insured depository institutions and certain other entities participating in the DGP upon application to the FDIC and with the approval of the Chairman, after consultation with the Board.

In October 2008, the FDIC adopted the TLGP as part of a coordinated effort by the FDIC and other federal agencies to address disruptions in credit markets and the resultant inability of financial institutions to obtain funding and make loans to creditworthy borrowers. The NPR passed by the FDIC Board today will be published in the Federal Register and subject to a 15-day comment period.

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 8,195 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars – insured financial institutions fund its operations.

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