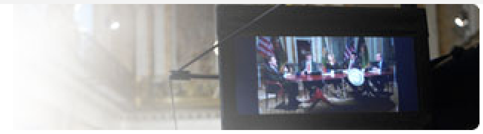
U.S. DEPARTMENT OF THE TREASURY

Press Center



Fact Sheet: Financial Crisis Responsibility Fee

1/14/2010

TG-506

Financial Crisis Responsibility Fee

Today, the President announced his intention to propose a Financial Crisis Responsibility Fee that would require the largest and most highly levered Wall Street firms to pay back taxpayers for the extraordinary assistance provided so that the TARP program does not add to the deficit. The fee the President is proposing would:

- **Require the Financial Sector to Pay Back For the Extraordinary Benefits Received:** Many of the largest financial firms contributed to the financial crisis through the risks they took, and all of the largest firms benefitted enormously from the extraordinary actions taken to stabilize the financial system. It is our responsibility to ensure that the taxpayer dollars that supported these actions are reimbursed by the financial sector so that the deficit is not increased.
- **Responsibility Fee Would Remain in Place for 10 Years or Longer if Necessary to Fully Pay Back TARP:** The fee – which would go into effect on June 30, 2010 – would last at least 10 years. If the costs have not been recouped after 10 years, the fee would remain in place until they are paid back in full. In addition, the Treasury Department would be asked to report after five years on the effectiveness of the fee as well as its progress in repaying projected TARP losses.
- **Raise Up to $117 Billion to Repay Projected Cost of TARP:** As a result of prudent management and the stabilization of the financial system, the expected cost of the TARP program has dropped dramatically. While the Administration projected a cost of $341 billion as recently as August, it now estimates, under very conservative assumptions, that the cost will be $117 billion--reflecting the $224 billion reduction in the expected cost to the deficit. The proposed fee is expected to raise $117 billion over about 12 years, and $90 billion over the next 10 years.
- **President Obama is Fulfilling His Commitment to Provide a Plan for Taxpayer Repayment Three Years Earlier Than Required:** The EESA statute that created the TARP requires that by 2013 the President put forward a plan "that recoups from the financial industry an amount equal to the shortfall in order to ensure that the Troubled Asset Relief Program does not add to the deficit or national debt." The President has no intention of waiting that long. Instead, the President is fulfilling three years early his commitment to put forward a proposal that would – at a minimum – ensure that taxpayers are fully repaid for the support they provided .
- **Apply to the Largest and Most Highly Levered Firms** : The fee the President is proposing would be levied on the debts of financial firms with more than $50 billion in consolidated assets, providing a deterrent against excessive leverage for the largest financial firms. By levying a fee on the liabilities of the largest firms – excluding FDIC-assessed deposits and insurance policy reserves, as appropriate – the Financial Crisis Responsibility Fee will place its heaviest burden on the largest firms that have taken on the most debt. Over sixty percent of revenues will most likely be paid by the 10 largest financial institutions.

How the Fee Would Work

While more complete details of the proposed Financial Crisis Responsibility Fee will be released in conjunction with the President's budget, the basic outline of the fee is as follows:

Levied on Only the Largest Financial Firms with the Most Leverage

- **Applied Only to Firms with More Than $50 Billion in Consolidated Assets** : The fee would only be applied to firms with more than $50 billion in consolidated assets. No small or community bank would be covered by the fee.
- **Fee Would Cover Banks and Thrifts, Insurance and Other Companies That Own Insured Depository Institutions, and Broker-Dealers** : Covered institutions would include firms that were insured depository institutions, bank holding companies, thrift holding companies, insurance or other companies that owned insured depository institutions, or securities broker-dealers as of January 14, 2010, or that become one of these types of firms after January 14, 2010.. These institutions were recipients and/or indirect beneficiaries of aid provided through the TARP, the Temporary Liquidity Guarantee Program, and other programs that provided emergency assistance to limit the impact of the financial crisis.
- **Both Domestic Firms and U.S. Subsidiaries of Foreign Firms Subject to the Fee** : The fee would cover the liabilities of all firms in these categories organized in the U.S. – including U.S. subsidiaries of foreign firms. Operations of U.S. subsidiaries of foreign firms in the areas cited above would be consolidated for the purposes of the $50 billion threshold and administration of the fee. For those firms headquartered in the U.S., the fee would cover all liabilities globally. The Administration will also work through the G-20 and the Financial Stability Board to encourage other major financial centers to adopt comparable approaches.
- **Fee Assessed at Approximately 15 Basis Points (0.15 Percent) of Covered Liabilities Per Year**
- **How Liabilities Subject to the Fee Would Be Determined** : Liabilities subject to the fee would be defined as:

Covered Liabilities = Assets - Tier 1 capital - FDIC-assessed deposits (and/or insurance policy reserves, as appropriate)

- **Exempting FDIC-Assessed Deposits and Insurance Policy Reserves As Appropriate** : The fee will exempt FDIC-assessed deposits because they are stable sources of funding covered by deposit insurance and already subject to assessment. Similarly, the base for the fee would be appropriately reduced based on insurance policy reserves.
- **How the Fee Would Be Assessed** : Covered liabilities would be reported by regulators, but the fee would be collected by the IRS and revenues would be contributed to the general fund to reduce the deficit. The Administration will also work with Congress and regulatory agencies in order to design protections against avoidance by covered firms.

REPORTS

- Example for Bank X