Minutes

of

The Meeting of the Board of Directors

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D. C.

Closed to Public Observation

October 13, 2008 - 6:12 P.M.

At 6:12 p.m. on Monday, October 13, 2008, the Chairman called a special meeting of the Board of Directors of the Federal Deposit Insurance Corporation which was held in the Board Room of the FDIC Building located at 550 - 17th Street, N.W., Washington, D.C.

Sheila C. Bair, Chairman of the Board of Directors; Martin J. Gruenberg, Vice Chairman of the Board of Directors; Thomas J. Curry, Director (Appointive); John F. Bovenzi, Deputy to the Chairman and Chief Operating Officer; Steven O. App, Deputy to the Chairman and Chief Financial Officer; Jesse O. Villarreal, Chief of Staff; Barbara A. Ryan, Deputy to the Vice Chairman; Lisa K. Roy, Deputy to the Director (Appointive); Craig R. Jarvill, Special Assistant to the Deputy to the Chairman and Chief Financial Officer; Sandra L. Thompson, Director, Division of Supervision and Consumer Protection; Arthur J. Murton, Director, Division of Insurance and Research; Mitchell L. Glassman, Director, Division of Resolutions and Receiverships; Bret D. Edwards, Director, Division of Finance; Arleas Upton Kea, Director, Division of Administration; Eric J. Spitler, Director, Office of Legislative Affairs; and Robert E. Feldman, Executive Secretary, were present at the meeting.

Also attending the meeting were: Christopher J. Spoth, John M. Lane, Serena L. Owens, Steven D. Fritts, Kathleen G. Nagle, and Donald R. Hamm, from the Division of Supervision and

Consumer Protection; John V. Thomas, Richard J. Osterman, Jr., Richard T. Aboussie, David N. Wall, David M. Gearin, and Gregory E. Gore, from the Legal Division; Richard A. Brown, Diane L. Ellis, Christopher J. Newbury, and Andrew J. Felton, from the Division of Insurance and Research; Steve W. Black and Steven P. Anderson, from the Division of Finance; James R. Wigand, from the Division of Resolutions and Receiverships; Noreen Padilla and Tiffany K. Froman, from the Division of Information Technology; and David M. Barr and Scott Dykema, from the Office of Public Affairs.

John C. Dugan, Director (Comptroller of the Currency); John M. Reich, Director (Director, Office of Thrift Supervision); and Claude A. Rollin, Deputy to the Director (Director, Office of Thrift Supervision), participated in the meeting via telephone.

Chairman Bair presided at the meeting; Mr. Feldman acted as Secretary of the meeting.

Chairman Bair called the meeting to order. Director Dugan then moved that the Board of Directors determine that Corporation business required its consideration of the matters which were to be the subject of the meeting on less than seven days' notice to the public; that no earlier notice of the meeting was practicable; that the public interest did not require consideration of the matters which were to be the subject of the meeting in a meeting open to public observation; and that the matters could be considered in a meeting closed to public observation by authority of subsections (c)(4), (c)(8), and (c)(9)(B) of the "Government in the Sunshine Act" (5 U.S.C. 552b(c)(4), (c)(8), and (c)(9)(B)). Director Curry seconded the motion and, with Vice Chairman Gruenberg, Director Reich, and Chairman Bair concurring, the motion was carried.

Arthur J. Murton, Director, Division of Insurance and Research; Richard A. Brown, Chief Economist; John V. Thomas, Deputy General Counsel, Supervision Branch, Legal Division; and Christopher J. Spoth, Senior Deputy Director, Supervisory Examinations, Division of Supervision and Consumer Protection, presented to the Board the recommendation of the Director, Division of Resolutions and Receiverships, that the Board make a systemic risk determination under section 13(c)(4)(G) of the Federal Deposit Insurance Act ("FDI Act") and authorize the Corporation to take certain actions to avoid or mitigate serious adverse effects on economic conditions or financial stability. Mr. Murton explained that the Corporation has been advised that the Secretary of the Treasury, after consultation with the President and the Board of Governors of the Federal Reserve System ("Federal Reserve"), expects to make a comparable systemic risk determination and has urged the Corporation to determine that giving the guarantees to be proposed by staff is the most appropriate means of addressing this systemic risk.

Mr. Murton further explained that the proposed guarantee program has two main elements comprised of (1) a guarantee by the Corporation of all unsecured, unsubordinated debt of insured depository institutions, their bank holding companies, financial holding companies, and thrift holding companies (other than unitary thrift holding companies) ("bank debt" of "covered borrowers") to be issued between the announcement of this Board action and June 30, 2009, with guarantees expiring not later than June 30, 2012, and with a system of fees to be paid by banks and holding companies for such guarantees; and (2) a Corporation guaranty of all non-interest bearing transaction accounts, subject to a similar fee program.

Mr. Murton then asked Mr. Brown to describe how the unprecedented nature of the disruption in credit markets and the resultant effects on the ability of banks to fund themselves and to intermediate credit place the United States in danger of suffering serious adverse effects on economic conditions and financial stability and how the effect of the actions proposed by staff will likely avoid and mitigate such adverse effects and mitigate likely losses to the Corporation as a result of these conditions. Mr. Brown stated that second quarter evidence suggests that banks have responded to the market turmoil by retaining cash and tightening lending standards, and that most banks surveyed by the Federal Reserve in July reported tightened lending standards and terms on all major loan categories compared to an April survey.

Mr. Brown then stated that, with regard to U.S. nonfinancial sector debt (businesses, households, and state and local governments), annualized growth in the net issuance of credit market debt has slowed markedly since the onset of financial market disruptions in mid-2007, and that, after growing by over $2 trillion annually each year from 2005 through 2007, nonfinancial sector debt grew at an annual rate of only $816 billion in the second quarter of 2008—well before the most recent intensification of the crisis. He added that further contraction is expected in the pace of business borrowing in the third and fourth quarters as the effects of current credit market disruptions are fully realized. He also informed the

Board that payroll has declined every month in 2008, resulting in a total loss of 760,000 jobs, causing the unemployment rate to increase to 6.1 percent

Mr. Brown then stated that a recent study by Corporation staff on the effect of a run on uninsured deposits on economic activity indicates that a 5 percent run would reduce GDP growth by 1.16 percent per annum in a normal economy while the same run on a stressed economy could decrease GDP growth by as much as 1.96 percent per annum. With economic growth already dampened, he said, a run of that magnitude could be enough to push the U.S. into recession or deepen or prolong a recession if the economy already is in one. Mr. Brown continued, adding that, while conditions to date do not appear to have reached the level of these stress scenarios, there is ample evidence over the last few months that there have been, and continue to be, rapid and substantial outflows of uninsured deposits from institutions that are perceived to be under stress.

Mr. Brown then turned to the Treasury - Eurodollar ("TED") spread, or the difference between 3-month dollar LIBOR and the yield on 3-month Treasury instruments, which has traditionally been narrow and stable at a level just below 50 basis points. Contrary to typical TED spreads, he noted that, in the summer of 2007, the TED spread spiked upward, reaching 238 basis points on August 20, 2007; that, since then, the daily average has been 138 basis points; and that the situation worsened considerably starting in mid-September of this year, with the TED spread rising to 415 basis points by October 9. Further, he said, market participants maintain that relatively little lending is occurring even at those elevated spreads. Mr. Brown added that the Federal Reserve has had difficulty maintaining the effective (or actual) Federal funds rate at the target Fed funds rate, which is currently at 1.50 percent. Such volatility, he said, indicates that banks are hoarding money and not lending in the Federal funds market, and that the Federal Reserve is overshooting and/or undershooting in supplying liquidity to the market.

Mr. Brown informed the Board that investors briefly saw negative yields on the 3-month Treasury bill on Wednesday September 17, 2008, something that has not occurred since January 1940. Investors in these instruments, he said, were essentially paying the government for the privilege of having no credit or liquidity risk. In times of heightened uncertainty, Mr. Brown stated that investors may find this small loss preferable to the losses they may stand to experience on alternative investments.

Mr. Brown also noted for the Board the disruptions to money markets, especially those since the failure of Lehman Brothers on September 15, 2008, have significantly impaired the ability of even creditworthy companies to issue commercial paper—particularly at longer maturities. He also informed the Board that issuance of both private Residential Mortgage Backed Securities and Commercial Mortgage Backed Securities in the first half of 2008 have fallen by more than 90 percent from year ago levels, and that those markets have, for all intents and purposes, shut down. In addition, he said that securitizations of second lien mortgage and non-mortgage financial assets, which have declined to a lesser degree have experienced widespread increases in funding costs.

Mr. Brown then stated that failures ("Fails") to deliver or receive U.S. Government securities rose to a record in recent weeks before the Department of the Treasury stepped up debt sales to relieve shortages. Whereas Fails averaged about $185 billion a week since July 1990, he said, Fails jumped about 35 percent to $4.79 trillion in the week ended October 1, 2008, according to the Federal Reserve Bank of New York. Mr. Brown observed that demand for the relative safety of government securities has surged as the difficulties in credit markets have deepened, and that the increase of Fails is an indication of scarcity in the U.S. Government securities market.

Mr. Brown continued, stating that, since the Board approved open bank assistance to the insured depository institution subsidiaries of Wachovia Corporation, Charlotte, North Carolina, on September 29, 2008, including making a systemic risk determination to support the assistance provided, economic uncertainty has multiplied, and, despite the enactment of the Emergency Economic Stabilization Act of 2008 on October 3, 2008, short-term funding markets have virtually frozen. The systemic nature of this threat is further evidenced, Mr. Brown said, by the increasing number of bank failure cases that have recently been approved and that are tentatively scheduled to be taken to the Board for approval over the next month.

Mr. Brown then stated that, as many banks and investment managers avoid lending to, and investing in, banks and their holding companies, these institutions may find it difficult to replace this funding at a reasonable cost; that, at the same time, short term funding mechanisms that banks typically rely upon have also become sluggish and expensive, to the extent these markets remain open at all; and that this is not due to the failure of one bank or the failure of one market but is instead due to the simultaneous failure and dysfunction of many parts of the financial system.

Mr. Brown concluded his remarks by stating that, while the criteria and protocols for the invocation of the systemic risk determination have generally focused on a single institution, the Board must apply those concepts to the broader problem that the economy faces today. He described that broad problem—the lack of confidence in banks—as capable of being broken into two distinct parts: (1) many banks have large embedded losses in the asset side of their balance sheets, contributing to the unwillingness of other banks to lend to banks that have unknown asset values; and (2) even for banks that remain solvent and have a viable franchise, the ability to raise capital has become severely impaired as potential investors appear to be inhibited by extreme risk aversion that is preventing needed capital inflows from taking place. Mr. Brown stated that the financial market indicators he had described as disrupting the payment system and threatening severe economic disruption led to submission of this case to the Board.

Mr. Murton then described the guarantee program in more detail. First, he said, staff was recommending that, subject to certain conditions and limitations, the Corporation guarantees the face value of unsecured debt (including any unsecured portion of secured debt) of all insured depository institutions in the United States, their bank holding companies, financial holding companies, and thrift holding companies (other than unitary thrift holding companies) (collectively "holding companies") that is newly contracted subsequent to the date of the adoption of the Board's resolution in this case, and prior to July 1, 2009 ("Guarantee Program"). He stated that the Corporation's guarantee would apply only to the following liabilities and in the following manner:

> All newly issued senior unsecured debt issued on or before June 30, 2009, including promissory notes, commercial paper, inter-bank funding, and any unsecured portion of secured debt. The amount of debt covered by the guarantee may not exceed 125 percent of such debt maturing before June 30, 2009. For eligible debt issued on or before June 30, 2009, coverage would only be provided for three years beyond that date, even if the liability has not matured.

Mr. Murton noted that the Guaranty Program would not apply to debt that is contractually subordinated to other debt of the insured depository institution.

As for covering the costs of the program, Mr. Murton informed the Board that, for the first 30 days of the Guaranty Program, the Corporation will not charge a fee associated with the guarantee, but that, thereafter, any institution having Corporation-guaranteed debt will pay fees to the Corporation, unless the covered institution provides written notice to the Corporation prior to the end of the 30-day period, that it has chosen to opt-out of the guarantee. After the 30-day period, Mr. Murton stated that fees would be imposed as follows:

- For all newly issued senior unsecured debt, an annualized fee equal to 75 basis points multiplied by the amount of debt issued under this program.
- For non-interest bearing transaction deposit accounts, a 10 basis point surcharge would be applied to non-interest-bearing transaction deposit accounts not otherwise covered by the existing deposit insurance limit of $250,000. This surcharge will be added to the participating bank's existing risk-based deposit insurance premium paid on those deposits.

Mr. Murton described staff's proposal that the Corporation fully guarantee noninterest bearing transaction accounts held in all insured depository institutions as of the date of the adoption of the Board's resolution until December 31, 2009. He explained that such accounts are comprised of accounts in which depositors can make an unlimited number of deposits and withdrawals at any time, and include demand deposit accounts ("DDA") and similar accounts. He stated that this will not affect the insured status of other customer accounts. Finally, Mr. Murton stated that the foregoing guarantees will be subject to a fee/opt-out system similar to that of the Guarantee Program.

Mr. Thomas then opined that the policy tools proposed here, as described above, together with a program to be simultaneously announced by the Department of the Treasury to provide a massive amount of capital to banks and their holding companies (the "TARP ('Troubled Asset Relief Program,' authorized by the Emergency Economic Stabilization Act of 2008) Capital Purchase Program") and the Federal Reserve's creation of the Commercial

Paper Funding Facility ("CPFF") to help provide liquidity to term funding markets will address the systemic risks to the credit markets described by Mr. Brown. He then explained that guaranteeing the newly issued debt of the covered institutions and guaranteeing all noninterest bearing transaction accounts, in both instances for a limited period time, for a fee, and with coordinated regulatory controls and oversight, are intended to sharply limit the risk aversion that is severely disrupting markets in which banks normally borrow. Continuing, Mr. Thomas stated that these programs, along with other Governmental programs, will allow the Corporation to avoid and mitigate the serious systemic damage that may be caused if current financial conditions are not addressed. In creating the systemic risk exception, he said, Congress contemplated that circumstances could arise in which the exception should be used. Mr. Thomas informed the Board that, in view of the current intense financial strains that have already seriously impaired the functioning of the financial system, and the likely consequences for the financial system and the economy from inaction, staff believes that circumstances such as the Congress envisioned are clearly present and that invocation of the systemic risk exception can readily be justified.

Mr. Thomas then explained that, in order to conclude that the guarantee program can extend to newly issued bank, certain thrift, and financial holding company debt, the Board will need to find that the best available means of addressing the systemic risk to the banking industry is a program that includes providing guarantees of newly issued debt of these holding companies, and that providing such guarantees with the safeguards and premium structure here can reasonably be expected to address the systemic risk to the banking industry and protect the deposit insurance fund. He recited further that the limits on ability to issue debt, the prudential regulatory oversight of the institutions, the Department of the Treasury's capital infusion, the Federal Reserve's commercial paper facilities, the limited duration of the program, and the fees that will be charged greatly strengthen the position that the program, in combination with the other steps being taken by the Department of the Treasury and the Federal Reserve, is the best available method to address the systemic risk to the banking system. Exemption (b [redacted]
Exemption (b)(5) Privileged Attorney-Client Communications, Attorney Work Product [redacted]

Exemption (b)(5) Privileged Attorney-Client Communications, Attorney Work Product

Mr. Murton then asked Mr. Spoth to explain the supervisory oversight that the Corporation will undertake in connection with the program, particularly regarding limitations on participating in the program by troubled banks or banks on the verge of failure. Mr. Spoth explained that the supervisory staffs of the Federal bank regulatory agencies have already developed an initial framework for a discussion of principles and that further details of those principles will be developed and agreed upon over the next several days. He added that determinations regarding participation in the program will be based on whether an institution is viable in the long term, as evidenced by supervisory ratings, operating performance, management, and the viability of the institution's business strategy. Mr. Spoth stated that the Corporation will make final determinations regarding access to the Guarantee Program in consultation with an institution's primary Federal regulator. He then described the screening mechanisms for determining whether an institution is sufficiently viable to be eligible to participate in the program once the program's initial 30-day period, in which all institutions are eligible to participate, ends. Board members and staff then discussed at length the ability for the Corporation to maintain some discretion on participation in the program by institutions that are projected to close within the next 30 days. Board members and staff also discussed the flexibility of the Corporation to adjust the pricing schedule for the program if experience dictates that the initial pricing is inadequate.

Mr. Murton concluded staff's presentation by setting out staff's belief that the threat to the market for bank debt is a systemic problem that threatens the stability of a significant number of insured depository institutions, thereby increasing the potential for losses to the Deposit Insurance Fund in the resolutions of such insured depository institutions. He then reiterated staff's recommendation that the Board make a systemic risk determination supporting a two-part approach by the Corporation comprised of (1) a guarantee by the Corporation of unsecured, unsubordinated debt of covered borrowers issued between the date of this Board action and June 30, 2009, with a three-year limit on the guarantee, and with a system of fees to be paid by banks for such guarantees; and (2) a 100 percent Corporation guarantee of noninterest bearing transaction accounts, subject to a similar fee program, with the program to be supplemented by a simultaneously announced capital program administered by the Department of the Treasury. Mr. Murton recommended that the Board take this action in order to lessen the risk to the Corporation, and systemic risks, posed by the instability in the bank debt market, in the least costly available manner. Finally, he recommended that the Board authorize the Chairman, or her designee, to provide the written recommendation to the Secretary of the Treasury specified under section 13(c)(4)(G)(i) of the FDI Act.

Vice Chairman Gruenberg then requested that staff make the connection between the recommended course of action and the systemic issues that have been described. Mr. Murton responded that countries around the world are taking similar actions to address problems in their financial systems and in the global financial system. In particular, Mr. Murton explained that the guarantee proposal is part of a three-part package, with the other two parts being the TARP Capital Purchase Program and the Federal Reserve's CPFF, with the first two parts aimed at injecting capital in the financial system and rejuvenating the commercial paper market, respectively, and the Guarantee Program designed to provide liquidity among banks so that they will lend again not only to consumers and business but to one another.

Vice Chairman Gruenberg then made the following statement:

> I think the action being proposed today is one for the books, and I think there will be many books written about the action that we are taking today. It is perhaps the most extraordinary ever taken by an FDIC Board, and I believe that it is prompted by circumstances that are also without precedent and justify the action being proposed.
>
> I would like to note, just for the record, that the Chairman certainly made every effort to keep me informed about the events of the past weekend, which produced this proposal. But just as a matter of disclosure, I thought it was important to note for the record that I did not directly participate in the crafting of the proposal, although I was certainly kept informed about it and had it fully explained to me.
>
> Second, I did want to note that the exercise of the systemic risk exception, as proposed in this case, is extraordinary and can only be justified by the magnitude of the challenge facing the financial system. And I wanted to point out that the Congressional leadership of

the House and Senate have been consulted about the exercise of the authority as proposed in this case, and, I believe, have expressed general support for the actions being proposed.

In light of this extraordinary action here, I view that consultation as critical. And I particularly want to thank the Chairman for her efforts in that regard to ensure that that consultation took place.

Let me conclude by saying that I believe the extraordinary nature of the circumstances justifies the actions proposed, and I am prepared to support the Board case. I do believe that we have a set of circumstances here that were, in some sense, unforeseen and perhaps unforeseeable, and that the systemic risk exception, as currently crafted in the law, really did not envision the kind of circumstance that we are confronting.

We are having to utilize that authority to deal with the facts as presented to us. But I think among the many things Congress will need to review going forward in terms of the regulation of our financial system, among them will be the issue of systemic risk and the adequacy of the current—of the provision in current law in light of the events that we have seen transpire, which really present new circumstances for us.

Director Curry then made the following statement:

I also recognize the extraordinary situation that we are faced with today. As the Board case and the presentations pointed out, our banking system is facing unprecedented systemic issues which require decisive and coordinated action by the federal government, including the FDIC. I am prepared to vote in favor of the systemic risk determination.

While I support the FDIC's proposed Temporary Liquidity Guarantee Program as a potential tool to heal market disruptions, I do have some concerns.

The Temporary Liquidity Guarantee Program is a major expansion of the FDIC's business beyond deposit insurance and beyond depository institutions. I hope and believe that we have priced this risk appropriately.

If not, we face the potential inequity of having all depository institutions pay for our errors. I am mindful there is a possibility that the entire industry may face special systemic risk assessments for debt guarantee losses that may primarily benefit holding company parents who engage in a broad range of financial activities beyond traditional banking.

Our statutory framework, as Vice Chairman Gruenberg pointed out, did not envision the scope and magnitude of today's crisis. While I believe we must stretch the current statute to meet adverse systemic threats, Congress clearly needs to pursue statutory changes to address today's changed circumstances.

I would like to close by thanking Chairman Bair for her leadership in this.

Director Dugan then said the following:

I will certainly add my words to much of what has been said. I think the only way you can look at this extraordinary action is that this is the most extraordinary set of financial events since the Great Depression. We have just never faced anything like this, and it is a time for not just the FDIC but the government as a whole to act as a government, to speak with one voice, and try to arrest this problem before it gets worse.

I think this Board case today is part of that government-wide effort to do this, just as governments around the world have tried to do this. I think it is extremely constructive.

I would take a little bit of issue with what has been said about the statutory language and what it means. I will not say that this particular event was foreseen, but I do think it has pretty broad language about things that need to be done to promote financial stability. And I think that it allows that in the situation like the one we face.

I strongly support what the FDIC is doing and the Board case. I think it is the right way to go to try to do something very significant and targeted to go right at the heart of the problem that has frozen up credit markets and banks acting like banks.

Director Dugan, noting that the Guarantee Program extended to holding companies explicitly, inquired regarding the final outcome of discussions with respect to the guarantee as it relates to affiliates owned by the same bank holding company. Chairman Bair acknowledged the program's flexibility, but stated that, unless the Corporation decides to create an exception to the program for affiliates, it will apply just to holding companies. She based her answer on consultation with the Federal Reserve and the inability to know all the risks in certain structured transactions such as tri-party debt issued by broker-dealers.

Director Reich indicated that he was comfortable supporting the systemic risk exception and inquired how the Corporation would communicate the details of the Guarantee Program to the public. Mr. Murton responded that the Corporation would immediately issue a Financial Institution Letter and then consider developing a policy statement or a regulation over the next week. In response to Director Reich's question regarding whether the Corporation's guarantees under the program would be backed by the full faith and credit of the United States Government, Mr. Murton responded in the affirmative. Because of the significance of the matter, Director Reich asked whether the Board members could see a draft of the Financial Institution Letter before it was issued. Chairman Bair responded that that was a good suggestion. Chairman Bair then outlined the full scope of the communication plan, including her joining Secretary of the Treasury Henry M. Paulson, Jr., and Federal Reserve Chairman Ben S. Bernanke before the press the following morning. She added that good communications regarding the program are extremely important because the program is essentially about instilling public confidence again in the financial system, after the loss of public confidence and irrational fear of the unknown have disrupted liquidity in the markets. Chairman Bair thanked staff for its work through tight time constraints in developing the proposal before the Board. As she recognized how difficult it had been for staff, she informed those present that they should take great pride in being a very important part of history at this moment, and that people will remember what they had accomplished.

Thereupon, on motion of Vice Chairman Gruenberg, seconded by Director Curry, concurred in by Director Reich, Director Dugan, and Chairman Bair, the Board adopted the following resolution (1) finding that the proposed Corporation guarantees will mitigate the serious adverse effects on economic conditions or financial stability that would otherwise create systemic risk to the credit markets; (2) taking the action recommended by staff in order to lessen the risk to the Corporation, and systemic risks, posed by the instability in the credit market, and determining that the Corporation guarantees and assistance, as more fully described in the Board memorandum accompanying this matter and described in the resolution, are likely to minimize the cost to the Deposit Insurance Fund; (3) authorizing the Chairman of the Board, or her designee, to provide the written recommendation to the Secretary of the Treasury specified under section 13(c)(4)(G)(i) of the FDI Act; and (4) authorizing the Director, Division of Resolutions and Receiverships, or his designee, and all other Corporation staff to take all actions necessary and appropriate in connection with this matter:

WHEREAS, staff has presented information to the Board of Directors ("Board") of the Federal Deposit Insurance Corporation ("FDIC") indicating that the recent unprecedented disruption in credit markets and the resultant effects on the abilities of banks to fund themselves and to intermediate credit, place the United States in danger of suffering adverse economic conditions and financial stability; and

WHEREAS, these conditions threaten the stability of a significant number of insured depository institutions, thereby increasing the potential for losses to the insurance fund in the resolutions of such insured depository institutions; and

WHEREAS, Sections 13(c)(4)(A) and 13(c)(4)(E) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §§ 1823(c)(4)(A) and (E), generally prohibit the Corporation from taking any action that would have the effect of increasing losses to the Deposit Insurance Fund by protecting creditors other than insured depositors, except that Section 13(c)(4)(G) permits such action where a systemic risk determination is made that compliance with sections 13(c)(4)(A) and 13(c)(4)(E) would have serious adverse effects on economic conditions or financial stability, and such action would avoid or mitigate such adverse effects; and

WHEREAS, the FDIC has been advised that the Board of Governors of the Federal Reserve System ("Federal

Reserve Board") and the Secretary of the Treasury ("Treasury"), after consultation with the President, have concluded or expect to conclude that the systemic risk exception should be made in this situation; and

WHEREAS, staff has recommended, that the FDIC Board make a systemic risk determination supporting action by the FDIC, as more fully described in the Board of Directors memorandum accompanying this matter, comprised of (1) a guarantee by the FDIC of all unsecured, unsubordinated debt of insured depository institutions, their bank holding companies, financial holding companies, and thrift holding companies (other then unitary thrift holding companies) ("bank debt") issued between October 14, 2008, and June 30, 2009, with guarantees expiring not later than June 30, 2012, and with a system of fees to be paid by these institutions for such guarantees; and (2) a one hundred percent FDIC guaranty of non-interest bearing transaction accounts until December 31, 2009, subject to a similar fee programs ("FDIC guarantees"); and

WHEREAS, the Treasury is infusing capital into banks; and

WHEREAS, the Federal Reserve Board has made available commercial paper facilities; and

WHEREAS, the guarantee program imposes limits on an institution's ability to issue debt that is subject to this program, is subject to the prudential regulatory oversight of the institutions, the guarantees have a limited duration, that fees will be charged for the program, and staff believes that the guarantee program is the best available method to address the systemic risk to the banking system.

NOW, THEREFORE, BE IT RESOLVED, that the Board finds that the proposed FDIC guarantees will mitigate the serious adverse effects on economic conditions or financial stability that would otherwise create systemic risk to the credit markets.

BE IT FURTHER RESOLVED, that the Board takes this action in order to lessen the risk to the Corporation, and systemic risks, posed by the instability in the credit market, and that the FDIC guarantees and assistance, as more fully described in the Board memorandum accompanying this matter and described in this Resolution, are likely to minimize the cost to the fund.

BE IT FURTHER RESOLVED, the Board hereby authorizes the Chairman of the Board, or her designee, to provide the written recommendation to the Secretary of the Treasury specified under Section 13(c)(4)(G)(i) of the Act, 12 U.S.C. 1823(c)(4)(G)(i).

BE IT FURTHER RESOLVED, the Board hereby authorizes the Director, Division of Resolutions and Receiverships, or his designee, and all other FDIC staff to take all actions necessary and appropriate in connection with this matter.

There being no further business, the meeting was adjourned.

Executive Secretary