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FDIC Transcript: Technical Briefing on the Temporary Liquidity Guarantee Program – Morning Teleconference

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Technical Briefing on the Temporary Liquidity Guarantee Program

Morning 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:
ARTHUR MURTON, Moderator
STEVEN APP
DAVID BARR
RICHARD BROWN
KATHY NAGLE
CHRISTOPHER SPOTH
JOHN THOMAS
JAMES WIGAND

PROCEEDINGS

MR. BARR: Good morning. Thank you for coming. This is David Barr with the FDIC. This is a technical briefing. It's on deep background only, not for attribution. This is just so people can understand the technical aspects about the FDIC's program.

Art Murton, who is our Acting Chief Operating Officer at the moment, will be heading the briefing. We also have Steve App, our Chief Financial Officer; Chris Spoth, our Deputy Director of our Division of Supervision and Consumer Protection; and Kathy Nagle. She's an Associate Director who works with Chris. And they're on the open bank side.

We have Jim Wigand, who is a Deputy Director of our Division of Resolutions and Receiverships; Rich Brown, our chief economist; and also John Thomas over here on the far end of the table. He's Deputy General Counsel in our Legal Division, who can handle any legal aspects of our plan.

So, with that, I will open it up to Art to give an overview. And then we will from there go to some questions and answers.

QUESTION: Do you want to go over the attribution rules just to make sure we understand that?

MR. BARR: It's just no attribution at all, not according to FDIC officials or government officials. It is just purely educational. All right? Okay, Art? Yep. Thank you.

MODERATOR MURTON: Thank you, Dave.

Yes. I thought I would spend five or ten minutes just going over the general outline of the Guarantee Program. As you know, this is being done as part of a three legged approach to this with the capital injection by the government into banks, the Fed's actions to sure up the commercial paper market, and the FDIC's limited Liquidity Guarantee Program.

The two main elements of the Guarantee Program are --

MR. BARR: I'm sorry. For those on the phone, if you could please hit "Mute," that would be appreciated. Thank you.

MODERATOR MURTON: Thanks. The two main elements of the program are full guarantee on senior unsecured debt issued by eligible entities, and the second is full guarantee of non interest bearing transaction accounts at FDIC insured institutions.

We can spend a minute talking about what eligible institutions are. These would be FDIC insured banks and thrifts. It would be U.S. bank holding companies, U.S. financial holding companies, and certain U.S. savings and loan holding companies. So those are the four groups of entities that are eligible for this program.

(Whereupon, the foregoing matter went off the record briefly.)

MODERATOR MURTON: We're having some technical problems right now. Hold on for a minute. Excuse me. Those on the phone, to mute your phones, please press *6. Again, if you're on the phone, please press *6 to mute.

(Whereupon, the foregoing matter went off the record briefly.)

MODERATOR MURTON: Sorry about that. So you've got the eligible entities, right? And so now let me talk about the types of debt that are guaranteed.

First, for the senior unsecured debt, this would be newly issued senior unsecured debt that is issued between October 14th of this year, 2008, and June 30th of 2009.

So debt issued, newly issued debt, during that period will have this full guarantee from the FDIC. The guarantee will last three years beyond that June 30th date. So debt issued under this program would be guaranteed through June 30th of 2012.

So, for example, a bank could issue a debt that had a longer term than that, but only the payments within that window are guaranteed by the government.

QUESTION: Do you have an amount for how much they would be able to insure? Do you have estimates?

MODERATOR MURTON: Yes. Can I come through it? And then I will go back and answer all of those. Thanks.

Now, for any bank, there is a limit on the amount of debt that they can issue under this program. The way that works is you take the amount of qualifying debt outstanding as of September 30th of this year and scheduled to mature by June 30th of next year.

So all of the debt that they currently have outstanding that is scheduled to mature within the window, that amount, you start with that amount. And 125 percent of that amount is the limit for an individual bank. So essentially that means that a bank can essentially roll over the debt that it has maturing during this window, plus has a cushion of another 25 percent of debt that it can add under this program.

So that's it on the senior unsecured debt. On the transaction accounts, this is non interest bearing transaction accounts at FDIC insured institutions.

We will have a full guarantee through the end of next year, December 31st of 2009, which, as you may be aware, is also the date where the higher coverage limit of 250,000 is also set to expire. Okay? These transaction accounts are mainly used by corporations and businesses for their processing payroll and other things.

So in terms of the start up of this, initially all FDIC insured institutions will be covered under this program for a period of 30 days.

And during these 30 days, institutions have to decide whether they want to opt out of the program. And if they don't opt out by the end of the 30 day period, then they're in the program. Okay?

Banks that remain in the program will be subject to supervisory oversight to prevent excessive risk taking and rapid growth. And eligibility for the program will be subject to -- will be determined by the FDIC in consultation with the institution's primary federal regulator. Okay?

Now for the fees. The fees for this program, for the senior unsecured debt, we're going to charge 75 basis points per year for this guarantee.

For the non interest bearing transaction accounts, we will have a ten basis point surcharge on the premiums that banks already pay. The ten basis points will be applied to the uninsured portion of those non interest bearing transaction accounts. It won't be applied to that which was already insured. Okay?

These fees will be held in a separate account in the FDIC's funds. And they will be used -- those funds will be used to cover whatever costs there are under this program.

If it were the case that the costs of the program exceeded the fees collected, that difference would be made up by a special assessment on the banking industry, the same special assessment that is called for when the FDIC invokes the systemic risk exception. And that's laid out in the statute.

There are some other aspects to it that aren't yet quite determined, what the risk weighting will be in capital, regulatory capital, requirements and how this will be treated at the discount window, but we're talking to the other regulators about that.

So that's a general overview of this. I should probably step back. I don't think I explicitly mentioned that this program was set up under this systemic risk exception that was provided in FDICIA in 1991.

This is the provision that allows the FDIC the flexibility to step outside a least cost resolution and to use broader authorities or flexibility in addressing problems in the banking industry.

So, with that, I think I will open it up to questions.

QUESTION: The 75 basis points, is that only on the institutions that are participating?

MODERATOR MURTON: Yes. It would be on the participating institutions. It would be the debt that they have issued under this program during this window. And it would be paid, even after the window, during the life of the debt through the three year period.

QUESTION: And is that 30 business days or calendar days?

PARTICIPANT: Thirty calendar days.

QUESTION: Have you calculated the maximum amount of debt that could be guaranteed under this program?

MODERATOR MURTON: We have estimated that the amount of the senior unsecured debt, that program, would be somewhere in the neighborhood between one and a half to two trillion dollars would be eligible.

We are not necessarily saying that all of that would be applied under that program. So that's a rough estimate of how much we think may be coming due between now and June 30th.

QUESTION: And similarly for the deposits that are --

MODERATOR MURTON: For the deposits? Again, we don't have perfect numbers on that. The estimate looks to be somewhere in the 400 to 500 billion dollar range.

MR. BROWN: Art, actually, I think the unsecured is about $1.4 trillion. And if you tack on the kind of four to five hundred for the transactions --

MODERATOR MURTON: Oh, I'm sorry.

MR. BROWN: -- it's actually close to 2 trillion.

MODERATOR MURTON: I'm sorry. That's right.

MR. BROWN: They're pretty rough numbers.

QUESTION: And then 1.4 trillion unsecured and then an additional 470 billion in eligible deposits?

PARTICIPANT: That's right. Yes.

MODERATOR MURTON: I'm sorry. Thank you, Rich.

QUESTION: Have you run any projections on what the impact to the DIF will be from this? Could it potentially improve the 75 point charge?

MODERATOR MURTON: That's an interesting question. As I said, if the cost of the program exceeded the fees, that would not hit the DIF because it would be recovered through the special assessment.

However, if we have a surplus in this program, the expectation is that those funds would then be placed into the DIF. And so that if there is essentially a profit on this program, it would move into the DIF.

QUESTION: You don't see a net cost to the DIF?

MODERATOR MURTON: That's right. That's right. But, just to be clear, if the cost of the program exceeded the fees collected under this program, it would have to be a special assessment on the industry.

QUESTION: For the amount of that differential?

MODERATOR MURTON: Yes, yes. That's right. And you may know that special assessment is based on essentially the liabilities of the banking industry, as opposed to the regular assessment, which is based on deposits.

And the importance of that difference is that shifts more of the burden of the special assessments, compared to the regular assessment, towards larger institutions because larger institutions tend to have more liabilities relative to deposits than smaller institutions do.

QUESTION: How will you be releasing this idea that they can't prepay instruments and then reissue them?

MODERATOR MURTON: We're going to be working with the primary federal regulators and issuing guidance and/or regulation to ensure that the program is enforceable.

QUESTION: And the oversight that you will be applying to institutions to prevent rapid growth or excessive risk taking, is that just the normal supervision?

MODERATOR MURTON: It's normal, but during this period as banks use this program, they will be subject to -- perhaps "enhanced" may be the best word.

PARTICIPANT: Yes. Exactly. It will be normal supervision plus recognition of the program that is going on here with the express guarantee of the government. So we would be looking for rolling over debt, new debt issuances in the context of growth and risk taking.

QUESTION: Also have you gauged interest about how many banks you think would still stay in the program after the 30 days?

MODERATOR MURTON: We haven't had time to do a survey, but I think in some discussions, we think that there would be a large proportion of the banks that would be staying in the program.

QUESTION: Is there a certain type of bank that would be more likely to stay in the program than --

MODERATOR MURTON: Well, certainly banks that I think, for example, have significant business accounts, corporate accounts that may currently be potentially uninsured and that are associated with important business customers would probably want to avail themselves of this.

Any other?

QUESTION: So under this program, you can issue debt with a term longer than three years?

MODERATOR MURTON: Yes.

QUESTION: But the insurance will expire at the end of that three year period?

MODERATOR MURTON: That's right.

PARTICIPANT: It will expire June 30th of 2012 at the latest, determined that date.

QUESTION: And after the initial 30 days, there's no additional opt out? If you're in, you're in for the duration?

MODERATOR MURTON: That's correct.

QUESTION: Will you discuss how the debt portion differs from the Fed plan on commercial paper, sort of distinguish between the two?

MODERATOR MURTON: Yes. Well, I'm not fully versed on the Fed's commercial paper program, but, as I understand that, they're setting up two vehicles.

One is to purchase -- and I would really check on this. One is to purchase commercial paper directly from issuers. And that, as I understand it, may or may not be financial institutions. It could be non financials as well.

And then they I thought were trying to set up another program that I think had some private sector backing to it that would be maybe available for a broader thing.

But, as I understand it, they're not necessarily guarantee. We're providing a guarantee to debt that banks issue in the market, that when they lend to one another, one of the problems has been that the interbank lending market has frozen up. And so this is to loosen that up.

QUESTION: And what is that last element you said you were working out with regulators still. Is that --

MODERATOR MURTON: Well, how these would be treated for regulatory capital purposes, so these would be assets on someone's books. And so the question is, what is the risk weighting associated with that? And that risk weighting determines, then, capital requirements for banks.

So we expect it to have a very low risk weighting, as other very safe instruments do.

QUESTION: Was this modeled on the (Inaudible.) programs, for example, or was this a de novo?

MODERATOR MURTON: Right. It certainly was done in the context of what was happening in other parts of the world. That's fair to say. But it's also fair to say that it wasn't patterned after any of them.

It wasn't identical necessarily to others. There were certain aspects of the U.S. situation that we wanted to address. And, yet, there was a concern also about not having major differences between the programs which could cause movement of funds based solely on differences in the program.

QUESTION: This is, as a matter of fact, off the top of my head. But about 75 percent of deposits will now be covered by one of these several programs. Is that about right?

MODERATOR MURTON: I'm not sure. How did you --

QUESTION: Yes. It was 72 before you did this. So I'm guessing that it's about 75 with this increment. Does that sound about right?

PARTICIPANT: Yes. Estimated insured deposits at the $250,000 limit is about $5 trillion. And so we're talking about adding $4 or $5 hundred billion to that out of 7 trillion in total domestic deposits.

QUESTION: Okay.

PARTICIPANT: So yes. It will be up.

MODERATOR MURTON: So you're saying five, five over seven, right?

PARTICIPANT: Five, five over seven.

MODERATOR MURTON: I can't do that in my head.

PARTICIPANT: It's been a long couple of days.

PARTICIPANT: Yes.

QUESTION: So I guess the question that I wanted to ask is, can you speak to the extent to which the deposits that were pulled out of Washington Mutual, out of Wachovia were in this category of deposits? To what extent does this address the runs that we have actually seen?

MODERATOR MURTON: That's a good question. I think the guarantee on the non interest bearing transaction accounts is designed to address some of the liquidity problems that we have seen at certain institutions that are probably perhaps -- well, are viable and perhaps even healthy franchises that can be subject to some of these liquidity pressures.

So we think this will have the effect of bringing some stability there.

PARTICIPANT: It is common for community banks to have accounts, transaction accounts, operating accounts for local businesses in their area. And this will probably be of great benefit to them.

QUESTION: What else are you thinking about? I mean, it seems like there's a new maneuver every week now. What is left to insure? Sorry if not an eloquent question, but --

MODERATOR MURTON: No. It was eloquent, but there were two parts to it. One was factual. What else is there that could possibly be insured?

QUESTION: Yes.

MODERATOR MURTON: The other was, what are we thinking about? So I'm not thinking about anything else right now.

QUESTION: Okay. Yes.

MODERATOR MURTON: But in terms of what else could be insured, what we didn't insure in this, fully insure, were CDs and other bank products that are either savings or investment products, where people are looking for some kind of return. You know, what we limited it to was non interest bearing. You get zero interest. It's not something where you are --

PARTICIPANT: In excess of our 250,000 --

MODERATOR MURTON: That's right. That's right.

PARTICIPANT: -- insurance coverage.

MODERATOR MURTON: And part of that was a concern about not having fully insured savings vehicles in FDIC insured institutions that would compete with other parts of the financial system: money market, mutual funds, and so forth. You know there have been issues there. So that was part of the thinking.

QUESTION: Is there talk about lifting the 250 limit and just making it unlimited? Is that part of the discourse at all? No?

MODERATOR MURTON: Not at this point. I think this is it. This is, you know, the program. It was designed to be comprehensive and provide the confidence.

QUESTION: Sort of related, the non interest bearing check -- checking accounts that consumers hold wouldn't be considered as a investment vehicle. Why were those not considered as part of this program?

MODERATOR MURTON: They are.

QUESTION: The standard checking account?

PARTICIPANT: They're covered up to 250,000. And very few consumers are going to have more than that in a checking account.

QUESTION: But you're talking about interest bearing checking accounts.

MODERATOR MURTON: Are you talking interest or non interest bearing?

QUESTION: Non interest.

PARTICIPANT: The consumer non interest bearing --

PARTICIPANT: All non interest bearing DDA accounts are covered under this program.

MODERATOR MURTON: Even personal ones.

PARTICIPANT: Yes.

QUESTION: Only interest bearing accounts are not covered?

PARTICIPANT: That's right. Interest bearing checking accounts aren't covered under the unlimited authority, but certainly they're covered to the $250,000 limit.

QUESTION: Okay. But a non interest bearing checking account would be covered unlimited under --

MODERATOR MURTON: That's right. And I think John's point is that he's doubting whether there are many people who hold more than 250,000 in an account that's earning zero.

PARTICIPANT: Very few consumers have that kind of money sitting in a non interest bearing checking account.

QUESTION: What percentage of consumers have more than 250,000 in an interest bearing account?

MODERATOR MURTON: Well, what, around 98 percent of accounts under the 100,000 were fully insured, we thought, right? Wasn't that the number we used to use?

QUESTION: What is it now with the 250?

MODERATOR MURTON: Well, I'm not sure. We don't have the reporting on that. But it's got to be more than 98 percent, right?

PARTICIPANT: Yes.

QUESTION: Could I ask maybe if we could just go over the big picture numbers?

MODERATOR MURTON: Sure, sure, sure.

QUESTION: Seven trillion in deposits.

MODERATOR MURTON: Yes, yes.

QUESTION: Why don't you just list it for us?

MODERATOR MURTON: The seven trillion?

QUESTION: Well, the total amount, total deposits.

MODERATOR MURTON: Sure, sure.

PARTICIPANT: Estimated insured deposits at the 250,000 limit is around $5 trillion. At the $100,000 limit before, it was about $4.3 trillion, if memory serves.

Again, we're looking at bringing in something on the other of 400 to 500 billion in non interest bearing transaction accounts with this program, as compared to total domestic deposits of right around 7 trillion.

QUESTION: Okay. Thank you.

QUESTION: And you would expect the maximum amount to be again between 1.4 billion in unsecured?

PARTICIPANT: The unsecured debt -- and, again, more assumptions need to be made. The reporting is even more difficult there. And all of the reporting leaves us making some assumptions to come up with these numbers. So understand that.

Based on our best information, we think about $1.4 trillion in unsecured debt would be eligible.

QUESTION: But there are a lot of experts who think that these moves will be very difficult to reverse, that you will essentially be forced to make these changes permanent in order to ensure the long term stability of the system.

Can you speak to that and anything that you are doing to prepare for that time and why you think this can be reversed?

MODERATOR MURTON: That's a good question. And I think, you know, the possibility that it could be extended, you know, you can't rule that out 100 percent. The intention is for it to expire.

I think the June 30th one is I think safer. I think there is a strong intent to have that be the period, that we can use that period for banks to get lending again and get us from where we are now to a much more stable environment.

QUESTION: You referred to the June 30th, 2009 date.

MODERATOR MURTON: That's right.

PARTICIPANT: I think it is fair to say that these measures were designed to respond to extraordinary circumstances. And today's circumstances are certainly extraordinary. It is meant to improve them and move the functioning of the financial system back to normal.

So to that extent, we wouldn't envision the need to extend them if they work as they're intended to do.

QUESTION: It would require congressional approval to extend beyond the end of 2009 these changes? Is that right?

MODERATOR MURTON: On the 250,000 coverage, it would. What it would not require, it would probably -- and I will defer to John, but in order to extend it, I think the Board would probably have to come back and do another finding and do another --

QUESTION: And get the sign offs from the other --

MODERATOR MURTON: Yes, yes.

PARTICIPANT: We would need another systemic risk finding.

MODERATOR MURTON: So if, as we expect, the situation is markedly improved by mid next year, that doesn't seem likely.

PARTICIPANT: Let me correct one number. I said that the estimated insured deposits at $100,000 as of June. That actually was $4.5 trillion. And then a rough estimate at the $250,000 limit would have been $5 trillion.

QUESTION: Also, is this the second time that you've used the systemic risk exception?

MODERATOR MURTON: That's right. The first time was in connection with Wachovia.

QUESTION: Does that actually count?

MODERATOR MURTON: Pardon me?

QUESTION: Inasmuch as you never actually did it, do you actually count that?

MODERATOR MURTON: Well, it depends how you keep score, but the Board did act and made a finding. It turned out we didn't have to --

PARTICIPANT: To provide assistance --

MODERATOR MURTON: -- to provide assistance under that.

PARTICIPANT: -- under that authority, but we did actually have a finding of systemic risk associated with that.

MODERATOR MURTON: I think I might just mention that this finding of systemic risk was not in connection with one single institution, as was the Wachovia one. This was a broader finding.

QUESTION: Does it have an expiration date or --

MODERATOR MURTON: Well -

PARTICIPANT: The Board is approving the program to deal with it and the program to have the expiration dates we have talked about.

QUESTION: So it's not the authority that expires? It's the program?

PARTICIPANT: Right.

QUESTION: And is there anything else that goes along with that systemic risk finding? I think you said that because it's under that that you had to do the special assessment if there is a cost.

MODERATOR MURTON: Right.

QUESTION: Is there anything else?

MODERATOR MURTON: No.

PARTICIPANT: Well, in order to provide assistance to open institutions, we also needed to have a finding of systemic risk because by law, we are otherwise precluded from basically doing that unless we meet some very tough requirements.

Basically those laws were put in place in the early '90s. So without the systemic risk finding, it is extraordinarily difficult for the FDIC to provide assistance to open institutions.

QUESTION: And the 75 basis point premium, does that reflect just a -- how did you arrive at that? Is that an extremely conservative estimation of losses because you don't have experience with this universe? What was sort of the methodology?

MODERATOR MURTON: Yes. Your point about we don't have experience, I mean, we are in to some extent uncharted territories here. But we looked at current CDS spreads. And we also looked at what credit protection cost before, say, August of last year.

So if you looked at the first half of last year, large financial institutions, what the credit protection on them cost, it was somewhere in the range of 15 to 25 basis points for several of the institutions that we looked at. And then if you look at where the spreads are now, they're in the several hundred.

I think for a universe, we looked at it maybe average. There are some I think lower than 100, some as high as three or four, but somewhere averaging 250 or so.

So the 75 I think is something between, you know, a crisis period, where it is very difficult to get people to write protection, but it's significantly higher, we think, than what you might call a normal time, although with the caveat that you might argue that beginning in the first half of last year, it's not clear the market was pricing risk properly.

So that 20 may have been a little bit of an underestimation. Even if you double, triple it, you're still under the 75.

QUESTION: And with the assessment rates, I think you said last week that for the restoration plan, the average industry increase would be roughly double, I think, as of end of second quarter or beginning of second quarter. With this built in for the firms participating, do you have an estimate of the increase?

MODERATOR MURTON: Right. So the additional revenue that we're going to bring in from this, do you have a number for that?

PARTICIPANT: It will be like $10 billion of revenue.

MODERATOR MURTON: But that's including the debt, right? Should we include that in there or -- I'm thinking the assessments on the deposits.

PARTICIPANT: We're projecting $10 billion in assessment revenue next year.

MODERATOR MURTON: Right. And so I'm trying to think what the 10 basis points on the 500 --

PARTICIPANT: It's about --

MODERATOR MURTON: It's 500 million.

PARTICIPANT: It's almost half a billion dollars.

MODERATOR MURTON: Right. Right. So when we were going to bring in 10 billion of assessment revenue next year, now we'll bring in 10 and a half of assessment revenue. Is that right? Am I thinking? Is that right?

PARTICIPANT: That's a 700 percent buy in, right?

MODERATOR MURTON: Well, this is on the transaction. I'm not talking about the debt. Oh, yes, yes. Yes, it is. You're right. That's right. Thank you.

QUESTION: The initial assessment revenue will be kept separate?

PARTICIPANT: Right.

MODERATOR MURTON: It will be kept separately. That's right.

QUESTION: It will not affect the DIF or the --

PARTICIPANT: That's correct.

MODERATOR MURTON: Right.

QUESTION: And what about for the institutions themselves as far as how much of an increase they will see in there? I think you said that it roughly doubled for how much they have to pay for assessments? How much would the increase be for them?

MODERATOR MURTON: Yes. If we're just talking about assessments, right, then this doubling, this is a little more than doubling, right? Right?

PARTICIPANT: Well, you have to understand the context. Basically think of it as two separate programs. I mean, there's basically the program for deposit insurance. Then there is the Temporary Liquidity Guarantee Program, which has two elements to it.

So Diane is talking about basically what the plans are for coverage under the regular deposit insurance system with the increase of the $250,000 limit.

PARTICIPANT: Right.

PARTICIPANT: But this program is going to be separately funded and accounted for. And so you have to be careful you're not mixing the two up.

PARTICIPANT: Yes. I don't think there is an easy way. It would be nice to say, you know, firms, they are facing some pressures and this is how much they are going to have to -- an increase in how much they are going to have to pay to get this protection. I guess there's --

PARTICIPANT: It's on ten basis points of the excess coverage for those types of accounts.

PARTICIPANT: Yes.

PARTICIPANT: And that can vary violently from firm to firm.

PARTICIPANT: Yes.

PARTICIPANT: Some of them will have a couple of accounts, and some of them have a lot compared to their overall deposits.

PARTICIPANT: Yes. And it really varies from institution to institution.

QUESTION: When you say you expect a very large proportion of banks, is that 50 percent?

MODERATOR MURTON: Yes. I think it could be more than 50 percent. I think it is going to be significantly higher than 50 percent.

QUESTION: Do you expect the difference between -- I mean, if you are in for the unsecured debt, you are also in for the deposit insurance or can you choose and do you expect --

MODERATOR MURTON: I think we are going to let them choose.

PARTICIPANT: Either one.

QUESTION: More in one area than the other participation?

MODERATOR MURTON: I think that it is probably the case that more banks have non interest bearing transaction accounts that may be more important to them. So I would think that it would be higher for the deposit program than the debt program.

QUESTION: Let me just make sure I understand that and the numbers again. We were talking about with the 250k temporary levels roughly $5 billion of insured accounts, right?

PARTICIPANT: On top of the 250.

PARTICIPANT: What?

MODERATOR MURTON: Two-fifty means five trillion, right?

PARTICIPANT: It's five trillion.

PARTICIPANT: Five trillion, yes.

QUESTION: And so then we're adding on. In terms of just potential liabilities, we're adding on four to five hundred billion to get to the non interest bearing accounts?

PARTICIPANT: That's right.

QUESTION: And then we're also adding on 1.4 trillion in terms of the senior bank debt?

PARTICIPANT: That's right.

MODERATOR MURTON: Yes, yes.

PARTICIPANT: Although you have to recognize that the latter two figures associated with the estimate of the excess as well as the 1.4 trillion, you know, those are numbers that don't include or factor in any opting out.

PARTICIPANT: Right.

MODERATOR MURTON: Potentially.

PARTICIPANT: Potentially, right.

PARTICIPANT: Right. Okay.

MR. BARR: Maybe one more question or we can wrap this up. Does anybody have anything else at this time?

QUESTION: Do you have the percentage of the outflow Wachovia had (Inaudible.)?

PARTICIPANT: The percentage of the outflow?

QUESTION: Yes.

MR. BARR: They probably have to check with their primary regulator.

MODERATOR MURTON: Yes. I think they have to check with their primary regulator.

MR. BARR: With that, I think we will wrap this up. Thank you for coming. And sorry for the technical difficulties at the beginning. Thank you for your patience.