HSBC

July 30, 2009

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: RIN#3064-AD37: Notice of Proposed Rulemaking Regarding Possible Amendment of the Temporary Liquidity Guarantee Program to Extend the Transaction Account Guarantee Program with Modified Fee Structure

Dear Mr. Feldman:

HSBC Bank USA, N.A. ("HSBC") appreciates this opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") possible amendment of the Transition Account Guarantee ("TAG") component of the Temporary Liquidity Guarantee Program ("TLGP"). As requested by the Notice of Proposed Rulemaking ("NOPR"), HSBC below addresses (i) the length of any TAG extension, (ii) the maximum interest rate on accounts eligible for TAG coverage, and (iii) the TAG fee structure. While HSBC does not object to the proposed brief extension of the TAG component, it has concerns about any TAG extension that is not relatively short in duration or allows TAG coverage to extend to savings products.

HSBC supports termination of the TAG program on December 31, 2009, as provided in the current regulation. As acknowledged in the NOPR, the TLGP, including the TAG component, was designed to temporarily address the unprecedented disruptions in the credit markets that occurred in October 2008. Since then, the credit markets have begun to stabilize and depositor confidence has improved. Now that the worst of the market turmoil has passed, we believe that it is appropriate to move forward with the phase-out of the TAG program at year-end as originally planned. However, should the decision be made to extend the program, the term of such extension should not exceed six months and institutions must be permitted to opt out of the program. Forced participation beyond the original termination date would be unfair, given the significant increase in the fees.

In addition to not inhibiting the timely phase out of the TLGP, any short-term TAG extension should acknowledge the current realities in the competitive marketplace. When originally implemented, the TAG component was intended to extend coverage to allay customer uncertainty on corporate operating accounts, not NOW accounts. However, as acknowledged in the NOPR, because of changes in market conditions, NOW accounts now fall within the scope of TAG coverage. Given these changes, HSBC supports the FDIC's efforts to recalibrate TAG eligibility. HSBC believes that excluding accounts from TAG eligibility that receive any interest best achieves the balance described above.

Lastly, HSBC supports efforts by the FDIC to ensure that the TAG coverage does not adversely impact the deposit insurance fund. To avoid unfairly subsidizing TAG participants, the fee structure should allow the program to be self sufficient. HSBC is supportive of any fee structure which would accurately take into account the risks associated with participant failure.

Should you have any questions about this content of this comment letter, please contact me at 716-841-5733.

Sincerely,

Patricia Grace

Patricia N. Grace
Deputy General Counsel