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Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attention: Comments
550 17th Street, N.W.
Washington, DC 20429

November 12, 2008

**Re: Interim Rule Regarding Temporary Liquidity Guarantee Program
RIN # 3064-AD37**

Dear Mr. Feldman:

U.S. Bancorp, the parent company of the sixth largest commercial bank in the United States, with over \$247 billion in total assets, appreciates the opportunity to comment on the recent Interim Rule (73 *Fed. Reg.* 64179 posted on October 29, 2008, the "Interim Rule") regarding the Temporary Liquidity Guarantee Program ("TLGP"). We support the efforts of the FDIC Board Members and Staff to return stability to the credit markets and enhance liquidity for financial institutions.

However, we have significant concerns with several elements of the Interim Rule, which weaken the benefit of the FDIC guarantee and may cause many eligible institutions not to utilize the program. Our principal comments are to request that the FDIC:

1. Modify the Debt Guarantee Program ("Debt Program") so that participating institutions would have the flexibility to issue either non-guaranteed senior unsecured debt or guaranteed senior unsecured debt.
2. Modify the Debt Program to reduce the fee to guarantee short-term senior unsecured debt (less than 90 days), including but not limited to Federal Funds and commercial paper, to 10 basis points per annum.



We believe that if the Debt Program under the TLGP is amended to address these concerns, the ability of the Debt Program to provide capital markets access for the full array of eligible institutions will be significantly enhanced.

1. Modify the Debt Program so that participating institutions would have the flexibility to issue either non-guaranteed senior unsecured debt or guaranteed senior unsecured debt.

As currently drafted, the Interim Rule prohibits eligible financial institutions that have not opted out of the Debt Program from issuing non-guaranteed senior unsecured debt until the maximum allowable amount of guaranteed debt has been issued. This offers little flexibility to the financial institutions, which may wish to take advantage of their ability to issue senior unsecured debt in the current market.

There are several reasons why U.S. Bancorp believes that this flexibility is important to the Debt Program:

- A. Healthy institutions like U.S. Bancorp will be unfairly penalized by being required to issue guaranteed debt in situations where the market does not require it. However, the alternative of opting out of the program may not be an adequate solution for these strong institutions. The market perception of a decision to opt out cannot currently be evaluated, but it is possible that a stigma may attach to that decision, which would negatively impact an institution that otherwise has adequate access to funding, particularly in the event of further market deterioration. Eligible institutions with access to the capital markets should have the flexibility to compare the economics of issuing non-guaranteed or guaranteed debt in order to secure the best market terms that are available to it for each issuance. An inability to make a choice to issue non-guaranteed debt where an opportunity to do so exists based on the strength of the financial institution, unfairly limits the ability of those institutions to make the best decision for the institution and its stakeholders.
- B. The United Kingdom's 2008 Credit Guarantee Scheme allows for institutions to issue either guaranteed or non-guaranteed senior unsecured debt. This flexibility in the U.K. Scheme puts United States financial institutions at a disadvantage with their foreign competitors.
- C. Some short-term debt instruments, such as Federal Funds or commercial paper, may not need a guarantee given the shorter maturity and current excess liquidity. The market for longer term debt instruments (greater than one year) is more likely to see a meaningful benefit from an FDIC guarantee given the current credit environment.
- D. The lack of flexibility in the Interim Rule may prompt the stronger financial institutions to opt out of the Debt Program. If certain institutions opt out of the

Debt Program, then the strength of the program may be questioned, which could undermine the stated goals of the program. Increased flexibility should encourage greater participation among financial institutions, which will instill greater confidence in the Debt Program and improve liquidity into the credit markets.

2. Modify the Debt Program to reduce the fee to guarantee short-term senior unsecured debt (less than 90 days), including but not limited to Federal Funds and commercial paper, to 10 basis points per annum.

Considering the current level of interest rates, we consider the 75 basis point fee to be too high with respect to Federal Funds, commercial paper, short-term Eurodollar deposits and other short-term products with a stated maturity of 90 days or less. We recommend that an institution that wishes to guarantee its short-term funding should see a charge of in the range of 10 basis points. This fee structure would be consistent with the 10 basis point charge on the Transaction Account Guarantee Program, where the investor (depositor) has daily liquidity. The 75 basis point fee would be more commensurate with the risk associated with longer term debt issuance.

If the fee is set at 75 basis points for these products, as the Interim Rule contemplates, then many healthy institutions will utilize other forms of overnight and short-term funding such as the Federal Home Loan Bank advance program, the Term Auction Facility and/or the Federal Reserve Discount Window. The exit of certain market participants from the Federal Funds, commercial paper and short-term Eurodollar deposit markets is likely to create confusion in the marketplace and undermine the validity and purpose of the Debt Program.

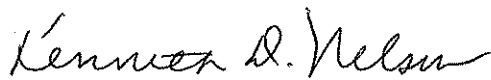
Other Enhancements that U.S. Bancorp believes would improve the structure of the Debt Program

- A. The FDIC should allow financial institutions the flexibility to opt out of the Debt Program by eligible entity. The Interim Rule currently contemplates that all eligible entities under the bank holding company or U.S. savings and loan holding company must make the same decision regarding participation in the Debt Program. Some eligible entities under a holding company may not desire to participate given the types of funding they require. For example, a bank subsidiary's senior unsecured funding needs may be solely for Federal Funds and commercial paper, and therefore that entity would not need a guarantee given the vast amount of short-term market liquidity. On the other hand, the holding company parent may need to issue long-dated medium-term notes (two to three years in tenor) and may desire to issue with a guarantee in a segment of the capital markets where liquidity is more challenged.

- B. The current Interim Rule requires that newly issued guaranteed debt be “evidenced by a written agreement”. This provision is problematic and cumbersome for the Federal Funds and short-term debt market (less than 270 days) where transactions are frequent, are usually conducted within the broker market and there is currently limited, if any, documentation behind the trades. For example, in the Federal Funds market, the bulk of transactions are conducted near the end of each business day, as banks ascertain the amount of funds they need to buy or sell to maintain an adequate balance with the Federal Reserve. This process leads to hundreds of transactions being executed in a short amount of time (usually the last hours of the day). Requiring written documentation of an FDIC guarantee during this time of heavy activity is not only cumbersome, but may be operationally impossible to execute given the nature of the trading activity. Therefore, we recommend that the FDIC carve out the written agreement provision of the Interim Rule for short-term debt instruments that have 270 or fewer days until maturity.
- C. We recommend that daily liquidity products be excluded from the Debt Program, as these debt instruments are more passive investments that are used for cash management purposes. As a matter of clarification, daily liquidity products include automated sweeps, manual sweeps or “open” products where investors can add or subtract balances on a daily basis. These products will not benefit from having a guarantee, as investors (depositors) are not seeking nor requiring a guarantee; rather, these instruments are merely a cost effective cash management tool for clients. Charging 75 basis points will increase the expense of these products and cause a migration away from these products into other investments. This migration will therefore have the effect of reducing the amount of liquidity in the market, or artificially changing the choice of instruments that are desirable to investors, which would not be the Debt Program’s intended purpose or effect.

We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. Please contact me at (612) 303-4159 with questions or if you need additional information.

Sincerely,



Kenneth D. Nelson
Executive Vice President and Treasurer