KEEFE, BRUYETTE & WOODS

November 13, 2008

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

Attention: Comments Re: RIN # 3064-AD37

Re: Temporary Liquidity Guarantee Program
Interim Rule
73 Fed. Reg. 64179

Ladies and Gentlemen:

Keefe, Bruyette & Woods, Inc. supports the proposed action by the Federal Deposit Insurance Corporation ("FDIC") to provide a guarantee of certain unsecured debt securities through the Temporary Liquidity Guarantee Program ("TLGP"). The global credit crisis and disruption in the credit markets has not abated and the TLGP along with similar programs being implemented by other international regulatory bodies should stimulate the flow of funds in the debt markets. KBW is the largest full-service investment bank that specializes exclusively in the financial services sectors and historically has been a leading underwriter in debt capital offerings for financial institutions. Based on our experience, the debt markets require efficient execution, liquidity and certainty that the issuer of the debt will meet its payment obligations on time in accordance with the terms of the debt instrument. KBW therefore urges that the FDIC modify the terms of the FDIC's guarantee, as set forth in the Interim Rule, to assure debt holders of the timely payment of principal and interest when due pursuant to the terms of the guaranteed debt. As set forth in the Interim Rule, payment on a guarantee is triggered upon the failure of a participating entity that is an insured depository institution or the bankruptcy of any other participating entity only and is subject to an administrative proof of claim procedure with a reduction in the bargained for contract rate of interest post receivership or bankruptcy. Based upon our experience, we believe the debt markets for such securities will be limited and less liquid; and investors will demand higher rates for the uncertainties in the timing of payment. In addition, Standard & Poor's has already indicated that, because the FDIC guarantee does not guarantee timely payment of principal and interest, Standard

& Poor's will not accord debt guaranteed under the TLGP the "AAA" rating of the US government and will, instead, factor in the creditworthiness of the respective borrower in assigning a rating. We believe that US financial institutions will be placed at a competitive disadvantage compared to financial institutions issuing debt under the United Kingdom's 2008 Credit Guarantee Scheme (UK Guarantee) due to the fact that the UK Guarantee includes timely payment of principal and interest. Of course, other financial institutions issuing debt in other countries adopting this similar approach will also have a competitive advantage.

Additionally, we believe the Interim Rule, as currently structured, when combined with Standard & Poor's stated ratings assessment, will only benefit the largest and most creditworthy banking companies (i.e. those with an established investment grade credit rating) when accessing the credit markets. As a recognized leading financial advisor in the financial services sectors, KBW has a long history of assisting regional and community banks in raising debt and equity from institutional investors. The Interim Rule, in its current form, does very little to assist these companies in accessing the credit markets and, in turn, enabling them to refinance their upcoming debt maturities. We believe a regulation that is more consistent with the guarantee that we have proposed will allow many more financial institutions to readily access the debt markets; and, in so doing, better assure the flow of capital and financing from investors to financial institutions. Our proposed rule change will also eliminate any bias that the marketplace will apply due to the size of the issuing financial institution.

Therefore, we recommend that when adopting the Final Rule, the FDIC modify the Interim Rule to provide for a clear and unambiguous unconditional guarantee of the prompt payment of principal and interest when due in accordance with the provisions of the guaranteed debt. This would require revising the Interim Rule to provide that if an issuing financial institution does not meet the principal and interest payments on the guaranteed debt when due, the FDIC will, upon demand of the holder of the debt, make such payments.

Finally, so there is no doubt in the investor community, we also recommend that the FDIC expressly state in the Final Rule that the guarantees are backed by the full and faith and credit of the United States.

KBW believes our suggested modifications to the guarantee provided for in the TLGP will further encourage liquidity in the debt markets and revitalize the flow of credit to many more financial institutions. Thank you for your consideration of our comment letter. We would be pleased to discuss our suggestions or address any further questions you may have with respect to the development and implementation of an effective TLGP. Please do not hesitate to call upon us.

Very truly yours,
Keefe, Bruyette & Woods, Inc.

By: Thomas B. Michaud
Thomas B. Michaud
Vice Chairman and President

cc: Joseph G. Passaic, Jr
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