Trustmark

November 13, 2008

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

Re: Comments related to the Temporary Liquidity Guarantee Program

Dear Mr. Feldman:

We appreciate the extraordinary efforts on behalf of the FDIC to promote liquidity in the financial system through its Temporary Liquidity Guarantee Program (TLGP). The following concerns that we have pertain to the Debt Guarantee portion of the program.

Cost of Participation

We agree with many of the other institutions that have submitted comments that the proposed 75 basis point assessment seems excessive for overnight lending in the current market. As many have already commented, we have seen the Fed Funds market function reasonably well throughout the liquidity crisis.

Our concern is that the assessment effectively increases the cost of overnight borrowing beyond the level that the Federal Reserve is attempting to target in their efforts to promote liquidity.

While we recommend that you consider eliminating Fed Funds from the Temporary Liquidity Guarantee Program, at a minimum, we would urge decreasing the cost of insuring overnight Fed Funds transactions. Consideration should be given to the utilization of some form of a sliding fee schedule that would reflect the lower risk associated with overnight transactions versus longer term transactions.

Consequences of Opting Out

Obviously healthy banks, such as Trustmark, have not experienced the funding pressure that the TLGP was intended to alleviate. We would like to point out that the option to opt out of the Debt Guarantee portion comes with possible unintended consequences.

We have made efforts to canvass various participants in the fed funds market in order to get a sense of how the overnight market would function in a market of guaranteed versus non-guaranteed unsecured overnight lending. Obviously the information that we have obtained is anecdotal at this time because most participants have not determined the ramifications of the Debt Guarantee Program on their institutions or whether they intend to participate.

Our concerns are twofold. First we believe that a two tiered pricing level will emerge for secured versus unsecured funds, so that regardless of whether an institution opts out of the Debt Guarantee Program, the cost of overnight borrowing will be significantly higher than current market driven levels. This would effectively make the option to opt out a non-option.

Secondly, we see the potential for sellers in the market to require participation in the debt guarantee program as part of their credit vetting process for fed funds sold counterparties. This possibility makes opting out less of a true option, and the potential reduction in overnight liquidity seems to run contrary to the goal of the TLGP of promoting liquidity.

Limits of Debt Guarantee

It is clear that the FDIC wanted to avoid unbridled issuance of unsecured debt and prevent risky behavior when it imposed the 125% cap on issuance of guaranteed unsecured debt. Many institutions, including our own, limited or greatly reduced their unsecured overnight borrowing around September 30 in favor of termed secured lines in order to deal with the market uncertainties at that time.

The fact that many institutions were exercising prudent liquidity management practices at that time may penalize these institutions by conceivably reducing or eliminating liquidity that they had available prior to September 30.

We understand that institutions may appeal through their Federal banking agency for an increase in their calculated cap subject to FDIC approval. In our opinion, it is much more efficient to allow regulators to continue monitoring institutions for risky behavior.

Conclusion

Again thank you for your agency's efforts to address liquidity issues with innovative measures such as the Debt Guarantee Program and the Transaction Account Guarantee Program.

We appreciate the opportunity to share some of our concerns with you.

Sincerely,

Mike Jones

Mike Jones
Vice President & Bank Funding Manager