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November 13, 2008

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: RIN 3064-AD37

Via e-mail: comments@FDIC.gov

Interim Rule Regarding Temporary Liquidity Guarantee Program

Dear Sir or Madam,

Thank you for providing State Street Corporation the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) interim rule establishing the Temporary Liquidity Guarantee Program (TLG Program), as described in the Federal Register dated October 29, 2008.

State Street is the world's leading provider of financial services to institutional investors, including investment servicing, investment management and investment research and trading. With $14.0 trillion in assets under custody and $1.7 trillion in assets under management at September 30, 2008, State Street operates in 26 countries and more than 100 geographic markets worldwide.

State Street supports the TLG Program, and believes both the Debt Guarantee and Transaction Account Guarantee programs will provide significant benefits to the U.S. financial system. We suggest, however, that both programs could be improved through the changes described below.

Transaction Account Guarantee Program

The Transaction Account Guarantee Program will provide unlimited deposit insurance, at a 10 basis point annualized cost, for transaction accounts held at eligible FDIC insured institutions. This expanded deposit insurance will provide significant benefits to State Street's institutional customers.

As the FDIC is aware, providing full coverage of these customer balances requires the FDIC to take into account the deposit reclassification programs which are standard practice in the banking industry. Under these programs, generally established to permit banks to manage reserve requirements at the Federal Reserve, banks reclassify, on their general ledger, portions of transaction account balances as non-interest bearing non-transaction accounts, which are not subject to reserve requirements.

These programs are well-established in the banking industry, and have no effect on the liquidity of customers' transaction accounts. The FDIC recognizes such programs under § 370.4 (c) of the interim rule, and clarifies its intention to cover such balances as part of the Transaction Account Guarantee Program in the Frequently Asked Questions document published on its web site, which reads:

> ***Are funds that are reclassified on a bank's general ledger as noninterest-bearing savings accounts covered under the Temporary Liquidity Guarantee Program?***
>
> **If the funds are swept from a noninterest-bearing transaction account to a noninterest-bearing savings account, the funds will be protected in full under the transaction account component of the program.**

We support the FDIC's decision to provide unlimited deposit insurance for balances resulting from deposit reclassification programs, but note that the language in the interim rule and FAQ document is too narrow to include all existing types of programs. For example, some deposit reclassification programs involve time deposits, rather than savings accounts. In addition, the use of the term "sweeps" under the interim rule may not clearly capture all of the technical mechanisms under which these programs operate.

Requiring banks to suspend such programs in order to ensure coverage by the temporary Transaction Account Guarantee Program will introduce unnecessary operational challenges, and the resulting increase in required reserves will trap liquidity at the Federal Reserve which could be better deployed toward addressing liquidity issues in today's credit markets. This overall effect is presumably contrary to that sought by the FDIC in establishing the TLG Program.

We suggest the FDIC modify the interim rule to clearly provide unlimited deposit insurance to all non-interest bearing customer transaction accounts, without requiring changes to banks' long standing deposit reclassification programs.

While the FDIC could expand the language of the interim rule to cover, for example, transfers to time deposits as well as savings deposits, a simpler and more effective approach is to simply provide unlimited deposit insurance coverage of all non-interest bearing deposits. We believe this approach would greatly simplify the administration of the temporary Transaction Account Guarantee Program, avoiding many of the definitional and legal issues raised by the interim rule's approach, and establish assessment and coverage-related data that is largely already available on banks' Call Reports.

Debt Guarantee Program

State Street is a signatory to the comment letter submitted to the FDIC by the Sullivan and Cromwell law firm on the behalf of a group of banks on October 31, 2008, and we strongly support the letter's suggested changes to the Debt Guarantee Program.

In particular, we urge the FDIC to adopt changes to the Debt Guarantee Program which will:

1) Modify the guarantee provided to cover principal and interest payment obligations as they become due, backed by the full faith and credit of the U.S. government, and
2) Expand the flexibility for participating banks to opt in or out of the guarantee, on an issue by issue basis, for issuances with a stated maturity on or prior to June 30, 2012.

We also appreciate the FDIC's November 3, 2008 invitation to comment on several additional questions related to the Debt Guarantee program, particularly the question related to the appropriate premium rates for Fed Funds and/or other short-term borrowings. As noted in the Sullivan and Cromwell letter, we believe the proposed 75 basis point premium is excessively high for these types of instruments, particularly given their current very low rates of return. We suggest the FDIC adopt a rate schedule which accurately reflects the type of investment and its attendant risk to the government, which, we assume, will result in a significantly lower premium rate for Fed Funds and similar short-term borrowings.

Finally, we note in the FDIC's Frequently Asked Questions related to risk weighting of debt guaranteed under the Program, which reads:

> ***What are the risk weightings on U.S. bank debt that is guaranteed by FDIC?***
>
> **Senior unsecured debt that is guaranteed under the Temporary Liquidity Guarantee Program will have a risk weight of 20 percent.**

As the FDIC is aware, this 20 percent risk weight is identical to the current risk weight for claims on or guaranteed by U.S. depository institutions, without the new government guarantee -- essentially providing no regulatory capital recognition for the Debt Guarantee Program. We suggest the FDIC work with other U.S. banking regulatory agencies to revise the general risk-based capital rules to provide a zero percent risk weighting for such debt, consistent with current treatment of other claims unconditionally guaranteed by U.S. government agencies.

As noted above, we support the TLG Program, and believe both the Debt Program and Transaction Account Guarantee Program, particularly with the changes suggested above, will provide significant benefits to the U.S. financial system.

Sincerely,

Stefan M. Gavell