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

November 13, 2008

Re: Interim Rule Regarding Temporary Liquidity Guarantee Program

Dear Mr. Feldman:

Thank you for the opportunity to comment on the FDIC's Interim Rule regarding the Temporary Liquidity Guarantee Program ("TLGP"). SunTrust supports the goals of the TLGP—to strengthen confidence and encourage liquidity in the banking system. We believe the financial institutions participating in this program and their investors would benefit from a few changes in the form and substance of the TLGP, however. Therefore, we respectfully request the FDIC consider the following specific comments, which relate only to the program to guarantee newly-issued senior unsecured debt.

1. Explicitly state that the guarantee is one of timely payment of principal and interest and backed by the full faith and credit of the U.S. government.

A key objective of the TLGP is to restore investor confidence in the primary market for senior unsecured debt issued by banks. Investors base their decisions to purchase bank-issued debt on numerous factors, including but not necessarily limited to the credit-worthiness of the borrower; the duration, risk-weighting and liquidity of the debt instrument; and the available investment alternatives. We believe the current form of the guarantee creates significant uncertainty around several of these fundamental investment criteria. Without certain changes to the form of the guarantee, we believe issuance of term debt under the TLGP will be quite limited, as evidenced by the lack of any term debt issuance activity under the program to date.

There is no more certain way to erase any questions around the credit-worthiness of the TLGP participating issuers than to clarify that the guarantee is backed by the full faith and credit of the U.S. government. An explicit guarantee by the U.S. government would be essential in restoring investor confidence in the primary market for qualifying debt securities. Moreover, debt issued under a full faith and credit guarantee would likely achieve a zero percent risk weighting by the Board of Governors of the Federal Reserve System, thereby attracting a significantly larger investor base for the debt securities.

Since the TLGP was announced, investors now have a larger array of alternative investments with an explicit government guarantee. Several European governments have instituted programs to provide banks with the ability to issue under an explicit full faith and credit guarantee of the timely payment of principal and interest. It is reasonable and logical to expect that investors will gravitate toward debt issued under programs with the strongest guarantees, putting issuers participating in the current form of the TLGP at a competitive disadvantage relative to issuers in the aforementioned European programs.

The form of the guarantee in the Interim Rule also leaves investors with significant uncertainty as to the duration of their investment; the FDIC would pay unpaid principal and interest only in the event of a bank failure or the filing of a bankruptcy petition for a bank holding company. The FDIC could eliminate this uncertainty, and thereby increase the investor base for the TLGP debt securities, by changing the form of the guarantee to one of a timely payment of principal and interest. Recent publications by some of the credit rating agencies state that the timely payment of principal and interest is a key consideration in achieving a 'AAA' credit rating, which would greatly expand the potential investor universe for the TLGP debt securities.

2. Include wholesale CD's in the definition of senior unsecured debt.

Many banks garner a significant source of funding from certificates of deposit issued to institutional investors in the wholesale market (i.e. not through retail branches). In our reading of the Interim Rule, it is unclear whether these securities would be included in a bank's calculation of its capacity to issue guaranteed debt under the TLGP. If these CD's are excluded, many banks will have a very limited capacity to issue guaranteed debt, which is clearly contrary to the spirit and intent of the TLGP.

3. Provide participating institutions the ability to issue either guaranteed or non-guaranteed senior unsecured debt on a product-by-product basis. Exclude certain short-term debt products from coverage under the guarantee.

The Interim Rule does not allow a participating institution to issue non-guaranteed senior unsecured debt until it has reached its issuance limit on guaranteed debt. We believe there are several important reasons banks should have the ability to elect to issue non-guaranteed debt on a product-by-product basis.

The TLGP would provide an expensive guarantee for some markets that do not require it. For strong institutions like SunTrust, the federal funds market, for example, has remained a deep and inexpensive source of liquidity throughout the period of financial market volatility. Moreover, in the current market environment, the daily federal funds effective rate has consistently hovered substantially below the proposed 75 basis point guarantee fee. We recommend that the FDIC exclude federal funds, Eurodollar deposits and other short-term debt from the TLGP.

The current form of the TLGP guarantee is also inconsistent with the business practices of many short-term markets. The TLGP guarantee will only pay in the event of bank failure. Before a bank fails, however, lenders in these markets will very likely have eliminated lending lines to the bank. Therefore, the TLGP would not support safer and stronger short-term debt markets, but rather assess a tax on daily issuance activities that carry little risk of default. While it is not possible to accurately assess how market participants would perceive a bank that chooses to opt out of the TLGP, banks may be reluctant to opt out of the program for fear of an associated stigma.

The current form of the TLGP issuance capacity calculation also has inherent problems. Many banks may be constrained by the choice of September 30 as the date for qualifying balances as most lending in the federal funds and other short-term markets is overnight and balances often reach their lowest point on or near the end of the quarter. Utilizing a maximum or average balance for the quarter ended September 30 would be an alternative and preferred approach in calculating the issuance capacity limit.

4. Alter the issuance capacity calculation to be the greater of the current formula or a fixed issuance cap amount.

Under the Interim Rule, banks may issue guaranteed senior unsecured debt up to 125% of the par or face value of senior unsecured debt outstanding as of September 30, 2008, that is scheduled to mature on or before June 30, 2009. The form of this calculation effectively penalizes an issuer, like SunTrust, that has prudently structured its liabilities such that it has very little qualifying debt maturing at certain participating entities within the specified time frame. By altering the calculation for the issuance capacity limit to be the greater of the current formula or a fixed issuance cap amount—we propose $1 billion—the TLGP will not have this presumably unintended effect. Moreover, institutional investors highly value liquidity and are less likely to purchase debt issuance below a size that will be perceived to offer sufficient liquidity (commonly thought to be $1 billion or more). Therefore, participating entities with an issuance cap below that liquidity threshold may be effectively shut out of the market.

We very much appreciate the opportunity to offer our comments on the Interim Rule. If you require any clarification or would like to discuss our views, please contact me at 404-813-5612 or jerome.lienhard@suntrust.com.

Sincerely,

Jerome T. Lienhard, II
Senior Vice President and Treasurer