



REGIONS

November 12, 2008

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

**RE: Comments – Interim Rule Regarding Temporary Liquidity Guarantee Program
RIN #3064-A37**

Dear Mr. Feldman:

Regions Financial Corporation appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") Temporary Liquidity Guarantee Program ("TLGP"). We ask that the following issues be considered before final implementation of the Interim Rule.

Form of Guarantee

Preliminary feedback from potential "rates"¹ investors indicates that a stronger guarantee is necessary. To ensure that this essential investor base participates, the guarantee should be modified to fully and irrevocably guarantee interest and principal in accordance with the original provisions of the guaranteed debt. The United Kingdom recently introduced a guarantee program using this form of guarantee as their model. Without modification, guaranteed obligations of US banks will be disadvantaged relative to UK banks as issuances will likely be significantly more expensive and will be less liquid. According to the FAQ's posted on the agency's website, debt guaranteed under the TLGP program would carry a 20% risk weighting opposed to the UK's which is 0%. Regions would like to use the debt guarantee as a platform to extend liabilities; however, the strength of the guarantee appears critical in order for the program to be effective.

Selective Issuance

As currently structured, the TLGP program would require overnight federal funds purchased to be included. This market has performed normally and sources have by-in-

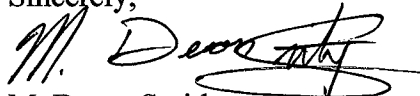
¹ "Rates" investors generally seek interest rate risk, but are averse to taking credit risk. Therefore, they are willing to purchase securities with thin spreads in return for securities that guarantee the timely guarantee of both principal and interest.

large been plentiful. *(Some deterioration has been observed in conjunction with the Federal Reserve paying interest on reserve balances)*. Assessing a fee to a market that has largely been functional could have unintended consequences of restricting access. In fact, the existence of a fee would incentivize institutions to continue accessing secured sources such as the Term Auction Facility, Federal Home Loan Bank Advances, and perhaps even the Discount Window. Should access to these secured sources be programmatically altered or discouraged, the fee would effectively serve as a de facto “tightening” of monetary policy. With respect to federal funds, the rule also states that the debt be “evidenced by a written agreement”. In common market practice, such written agreements do not exist. Overnight activity fluctuates considerably and as a result, monitoring and communicating cap limits would be complicated. For considerations noted above, we request that overnight federal funds be excluded, or reflect a term structure that is commensurate with risk.

While the current rule allows for the issuance of non-guaranteed debt provided that an up-front fee is paid, it restricts the terms to maturities greater than June 30, 2012. Should market conditions improve, we believe institutions should have the ability to issue shorter debentures in non-guaranteed form.

Again, we appreciate the opportunity to express our concerns with you on this subject. Should you have any questions, feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Deron Smithy". The signature is written in a cursive style with a large, sweeping flourish at the end.

M. Deron Smithy
Treasurer