

The PNC Financial Services Group, Inc.
249 Fifth Avenue
One PNC Plaza, 21st Floor
Pittsburgh, PA 15222-2707

412 768-4251 Tel
412 705-2679 Fax
james.keller@pnc.com

James S. Keller
Chief Regulatory Counsel

November 13, 2008

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
via email at comments@fdic.gov

Re: Interim Rule: Temporary Liquidity Guarantee Program (RIN # 3064-AD37)

Dear Mr. Feldman:

The PNC Financial Services Group, Inc. ("PNC"), Pittsburgh, Pennsylvania, strongly supports the efforts of the Federal Deposit Insurance Corporation ("FDIC") to enhance financial institutions' access to liquidity through the Temporary Liquidity Guarantee Program ("TLGP"), and appreciates the opportunity to comment on the Interim Rule promulgated by the FDIC to implement the TLGP.¹

PNC is one of the largest diversified financial services companies in the United States, with \$145.6 billion in assets as of September 30, 2008, with businesses engaged in retail banking, corporate and institutional banking, asset management and global investment servicing. Its principal subsidiary bank, PNC Bank, National Association, Pittsburgh, Pennsylvania, has branches in the District of Columbia, Florida, Indiana, Kentucky, Maryland, New Jersey, Ohio, Pennsylvania and Virginia. PNC also has one other subsidiary bank, PNC Bank, Delaware, Wilmington, Delaware, which has branches in Delaware.

PNC has participated in the drafting of the comment letter submitted by The Financial Services Roundtable, and supports the recommendations set forth in that letter. PNC is submitting this letter to emphasize its support of two recommendations in that letter: clarification of the definition of a "noninterest bearing transaction account" in the TLGP's Transaction Account Guarantee Program, and the treatment of Federal Funds under the TLGP's Debt Guarantee Program.

Transaction Account Guarantee Program

Definition of "Noninterest-bearing Transaction Account"

According to the TLGP, a "noninterest-bearing transaction account" is defined as a "transaction account with respect to which interest is neither accrued nor paid and on

¹ The Interim Rule was published in the *Federal Register* at 73 Fed. Reg. 64179 (Oct. 29, 2008), and an Amendment to Interim Rule was published in the *Federal Register* at 73 Fed. Reg. 66160 (Nov. 7, 2008),

which the insured depository institution does not reserve the right to require advance notice of an intended withdrawal.” Section 370.2(h)(2) of the Interim Rule states that this “does not include, for example, a negotiable order of withdrawal (“NOW”) account or money market deposit account (“MMDA”) as those accounts are defined in 12 CFR 204.2.”

We recommend that the FDIC revise the rule to adopt the Federal Reserve Board’s Regulation D (12 C.F.R. 204) definitions of deposit accounts. This would automatically include a noninterest-bearing NOW account as a “noninterest-bearing transaction account.” In practice, there are probably very few noninterest-bearing NOW accounts, and thus the impact on deposit coverage would be minimal.

We also recommend that section 370.2(h)(2) of the Interim Rule be deleted from the Interim Rule, as it creates confusion regarding the status of NOW accounts and non-interest bearing MMDA accounts, as discussed below.

Definition of Savings Deposit Account

Section 370.4(c) of the Interim Rule states, “[n]otwithstanding paragraph (b) of this section, in the case of funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings deposit account, the FDIC will treat the swept funds as being in a noninterest-bearing transaction account. As a result of this treatment, the funds swept from a noninterest-bearing transaction account to a noninterest-bearing savings account will be guaranteed under the transaction account guarantee program.” The interim rule does not define the term “savings deposit account”. If, as recommended above, the Interim Rule uses Regulation D definitions of deposit accounts, it would be clear that noninterest bearing MMDAs, as a type of noninterest-bearing savings deposit account, would be an account into which funds could be swept without losing the extended deposit insurance coverage.²

Debt Guarantee Program

The Interim Rule provides for a 75 basis point fee for all newly issued-issued senior debt covered by the Debt Guarantee Program. The application of the 75 basis point fee for overnight federal funds would be prohibitively costly, and is causing PNC, along with a number of other financial institutions, to give serious consideration as to whether or not they will participate in the Debt Guarantee Program or, if they do stay in the program, potentially migrate overnight borrowings to instruments not covered by the program. Accordingly, we recommend that either the FDIC permit a financial institution to elect which of its instruments will be covered by the Debt Guarantee Program or reduce the fee on federal funds and other similar instruments to an amount more closely

² We note that the FDIC staff acknowledged this its most recent version of Frequently Asked Questions on the TLGP(November 7, 2008).


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aligned with current market rates, which, in the case of overnight federal funds, we believe to be in the range of 10 to 15 basis points.

* * *

Thank you again for the opportunity to comment on the Interim Rule. Please do not hesitate to call me if you have any questions about this letter.

Sincerely,



James S. Keller

cc: Michael D. Coldwell
Federal Reserve Bank of Cleveland

Gary D. TeKolste
Office of the Comptroller of the Currency

Kathy A. Flannery
The PNC Financial Services Group, Inc.