M. Deron Smithy
Executive Vice President
Treasurer

REGIONS

December 17, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Attention: Comments – RIN 3064-AD35

Re: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman,

Regions Financial Corporation appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's ("FDIC") notice of proposed rulemaking ("NPR") concerning deposit insurance assessments.

We understand and appreciate the FDIC's need to appropriately re-capitalize the bank insurance deposit fund. Further, we support the proposed architecture whereby assessments are correlated to risk. However, we respectfully ask that the following issues be considered before final implementation.

The current proposal could increase the assessment rate based on an institutions ratio of secured liabilities to domestic deposits. Federal Home Loan Bank ("FHLB") advances would be included in the increased assessment. These advances have served as a stable, affordable, and reliable source of funding throughout the recent tumultuous economic environment for banks of all sizes. While assets are clearly encumbered, the logic seems misplaced that institutions with a large concentration in loans secured by real estate or high quality liquid securities would be penalized for the efficient, economic usage of collateral under times of market stress. By pledging high quality securities that are in demand, banks are often offered liquidity at rates well below other sources of funding including consumer deposits. Additionally, banks have also utilized the Federal Reserve's Term Auction Facility ("TAF") extensively of late and would be similarly penalized as this is also deemed a secured liability. The Federal Reserve has encouraged the use of the TAF program in an effort to stabilize the short-term markets. Finally, under the proposed rule, banks would also see increased premiums for repurchase agreements. Repurchase

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agreements are frequently offered to customers through banks' Treasury Management Sweep services. A bank could be financially incentivized to move these customers into deposit accounts which would only increase possible insurance liabilities for the FDIC.

Prudent liability management requires the use of a variety of products and structures across a range of maturity dates. The instruments noted above are important tools as banks strive to diversify their funding sources. Limiting the usage of these vital funding sources through stepped-up assessments will not reduce the liquidity risk of the institution; in fact, it has quite the opposite impact by further pressuring bank earnings, and directly incentivizing institutions to rely more heavily on volatile sources of unsecured funding. Moreover, members of Congress have been vocal with respect to banks who have received TARP funding and the increased lending that is expected to subsequently follow. Without these secured sources of funding, the amount available for loans will be substantially reduced. Essentially, the proposal could require banks to limit credit at a time when sound lending is critical to the overall health of the economy.

Regarding the calculation, the unsecured adjustment to the assessment rate does not currently include Federal Funds (term or overnight). Although, Federal Funds have been included in our Temporary Liquidity Guarantee Program ("TLGP") cap calculation and banks are required to pay a guarantee fee for federal funds that have maturity dates greater than thirty days. The methodology seems inconsistent between the two programs.

In summary, Regions concurs with a risk based approach when determining insurance assessments. Appropriately determining and defining those risk measures should be carefully reviewed. Please feel free to contact my office should you wish to discuss this important matter.

Sincerely,

M. Deron Smithy

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