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November 12, 2008

VIA ELECTRONIC MAIL-Comments@FDIC.gov

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

Re: Comment-RIN# 3064-AD37
Interim Rule-Temporary Liquidity Guarantee Program, 12 C.F.R. Part 370

Dear Mr. Feldman:

KeyCorp, Cleveland, Ohio ("Key") appreciates the opportunity to comment on the Interim Rule issued on October 23, 2008, by the Federal Deposit Insurance Corporation ("FDIC") regarding its Temporary Liquidity Guarantee Program ("TLGP").

KeyCorp recognizes the importance of the recent interim rule and supports the FDIC's decision on this initiative as it pertains to improving conditions in the unsecured wholesale credit market. However, the interim rule in its current form does not appear consistent with the objective of enhancing access to liquidity due to the uncertainty surrounding the guarantee. Additionally, preliminary indications on pricing of the debt appear to be much higher than originally expected. Further, lowering the program fees while providing the financial institution the flexibility to distinguish between fees, based upon the maturity of the debt, should make the program more marketable. However, the changes need to be done collectively to obtain the full benefit of the program.

KeyCorp would offer the following specific suggestions and rationale as considerations to enhance the effectiveness of, and the participation in, the TLGP:

1) Consider increasing the maximum (cap or limit), broaden the scope of eligible borrowing instruments and both lower and differentiate the cost of the FDIC guaranty by the maturity of the borrowing:

- **Include secured borrowings from temporary government programs such as the Federal Reserve Term Auction Facility (TAF).** Financial institutions have not had access to the unsecured term debt markets for most of the last year and have had no other option but to migrate to secured borrowings to meet their funding needs. As a result, secured borrowings are inflated as of September 30, 2008. Under normal market conditions, financial institutions would typically access the senior unsecured institutional term debt market and would not utilize collateralized borrowings on a regular basis. Consideration should be given to the development of a "look-back" pattern of secured borrowings for borrowers since mid-2007. This will provide a better perspective of a normal level of secured borrowing needs rather than a snapshot as of a specific date.

- **Include overnight Eurodollar deposits standing to the credit of corporate lenders.** Overnight fed funds and Eurodollar deposits are often viewed as substitutes by both banks and investors in managing their money positions. Eurodollar deposits from corporate lenders should be included into the base calculation due to the existence of large amounts of counterparties, including money market funds, who lend in Eurodollars. Financial institutions that borrow overnight funds on a daily basis are indifferent to borrowing overnight fed funds or Eurodollar deposits when looking to fulfill overnight funding positions. Therefore, fed funds and corporate Eurodollars should be viewed as the same. It would also seem logical to assess overnight money market borrowings with a substantially lower fee such as 10 bps versus the proposed 75 bps.

- **Include Brokered CDs.** Similar to the point made under secured borrowings, financial institutions migrated to the use of retail brokered CDs as the credit crisis evolved since mid-2007. Under 'normal' market conditions, financial institutions may not utilize retail brokered CDs on a regular basis. However, retail investors remained a steady, consistent source of liquidity at a time when the term unsecured institutional term debt markets ceased to exist. It is also important to note that in the issuance agreement for retail brokered CDs, the language explicitly states that there will be no prepayment of the CD, except upon death. This is in contrast to traditional branch-based CDs that do allow for prepayment. Therefore, a five year retail brokered CD would perform similar to a regular senior unsecured institutional five year bank-note; a financial institution would have use of funds for five years. Given the similarity, consideration should be given to include retail brokered CDs.

Consideration should also be given to one or more of the following, which could provide a higher base within which a financial institution can issue guaranteed term debt under the program:

- **Recognize unsecured debt maturities** that have already occurred throughout 2008 in addition to what will mature through June 30, 2009.
- View any limit as **a percent** of a financial institution's **total outstanding debt** as of December 31, 2007.
- **Possibly average** the amount of scheduled debt maturities before June 30, 2009 based on outstanding debt on December 31, 2007 and debt outstanding as of September 30, 2008.
- Simply **increase the 125% factor**.

Any of these metrics could be used to present a better depiction of a company's total borrowing that would benefit from an FDIC guaranty.

2) Consider expanding the term of new issue guaranteed debt to five, seven or ten years instead of the current three years.

- The investor base that typically buys debt with maturities of up to three years is typically composed of large accounts that are in the business of securities lending. That investor base is currently not active in purchasing any term notes that would be issued from a financial institution. Securities lenders are in the midst of de-leveraging as investment portfolio losses incurred as a result of the seizing of the credit markets have market participants questioning the sustainability of this business model. Real money investors however, those such as pension funds, insurance companies and traditional money managers, are more active in looking for longer dated term funding, those five years and longer, to fund future liabilities.

3) The debt guarantee program should be strengthened so that it constitutes a full and unconditional guarantee of all payments of principal and interest when contractually due.

Key believes that investors in senior unsecured bank and bank holding company debt have different expectations regarding payment of interest and timing of return of principal than do bank depositors and purchasers of bank certificates of deposit. Under the interim rule, the FDIC's guarantee of unpaid principal and interest becomes effective, for example, only upon the failure of a participating FDIC-insured bank or the filing of a petition in bankruptcy with respect to a participating bank holding company. Because such a guarantee mechanism is likely to significantly reduce the demand for such instruments (especially among traditional "rates" investors), Key believes the FDIC debt guarantee should be modified to cover the payment of principal and interest when contractually due, regardless of the reason for nonpayment.

4) The debt guarantee program limited election to issue non-guaranteed debt with stated maturities beyond June 30, 2012, should be modified to permit such issuances regardless of stated maturity.

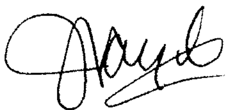
Key understands that U.K. institutions have the flexibility to issue both U.K. government guaranteed debt and non-government guaranteed debt. Under the interim rule, however, a participating bank or bank holding company may elect to issue non-guaranteed debt only if it has a stated maturity date after June 30, 2012. Because such a limitation places U.S. banks at a competitive disadvantage with their U.K. counterparts, Key believes the non-guaranteed debt election should be modified to permit the issuance of non-guaranteed debt regardless of stated maturity. In addition, any confusion on guaranteed versus non-guaranteed federal funds could be avoided by providing a guaranty on all fed funds coupled with a reduced fee.

5) Disclosures provided to depositors and investors under the debt guarantee and transaction account programs should be uniform and explicitly prescribed by the FDIC.

Under the interim rule, substantive disclosure regarding the FDIC guarantee both in prospectuses and documents relating to issuances under the debt guarantee program and in institution offices and depositor notices under the transaction account guarantee program are left to the individual participating entities and their representatives. Key believes that the best way to avoid marketplace confusion and fear by investors and depositors, and to minimize unnecessary cost and complexity, all of the material substantive disclosures relating to the FDIC guarantee should be uniform and explicitly prescribed by the FDIC.

Thank you for the opportunity to make this comment. Key is one of the nation's largest bank-based financial services companies, with assets of $101 billion. Key companies provide investment management, retail and commercial banking, consumer finance, and investment banking products and services to individuals and companies throughout the United States and, for certain businesses, internationally. The company's businesses deliver their products and services through 986 branches and additional offices; a network of 1,479 ATMs; telephone banking centers (1.800.KEY2YOU); and a Web site, https://www.key.com/ ®, that provides account access and financial products 24 hours a day.

Very truly yours,



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