

Robert L. Morris
Executive Vice President
and Chief Accounting Officer



LETTER OF COMMENT NO. 21



January 14, 2009

Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
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Re: Proposed FSP FAS 107-a

Dear Director:

We are writing in response to your invitation to comment on the Exposure Draft entitled, "Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107."

KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at September 30, 2008, had assets of approximately \$101 billion. As of that date, Key had roughly \$75.2 billion in net loans, \$8.4 billion in securities available for sale and \$28 million in held-to-maturity securities. Therefore the additional disclosures that may be required by the proposed guidance set forth in this Exposure Draft are of great interest to Key.

We appreciate the opportunity to comment on this Exposure Draft and support the Board's commitment to developing high-quality financial accounting standards and improving comparability of financial information while promoting international convergence of accounting standards. Key takes pride in providing detailed, timely and comprehensive financial information to the investment community, and supports standards and interpretations that clearly result in reliable and relevant information that can improve investor understanding and allow for more informed decisions.

Key has the following three concerns regarding this proposed guidance: 1) the absolutely last-minute timing of exposing this guidance and possibly issuing it at the end of January 2009 does not allow sufficient time for preparers to properly develop and support these additional disclosures; 2) many of the disclosure items (both quantitative and qualitative) are already provided in the financial statements and accompanying footnotes, requiring additional effort to ensure the required disclosures are not redundant; and 3) the Incurred Loss Amount set forth in the proposed guidance is not well-defined as it pertains to available-for-sale and held-to-maturity securities and is therefore subject to various interpretations as to its application and may require an extensive manual process to calculate.

Implementation Time Frame is Inadequate

Key is committed to providing users of financial statements with high quality financial information and related disclosures. The preparation of such financial information and disclosures requires adequate time to develop and properly review the underlying data elements as well as draft the related disclosure language so that the information provided to investors is transparent and informative. The timing of this proposed guidance and any final guidance that may result will not allow adequate time for the proper preparation and review of these required disclosures since some of the data elements could be extremely difficult to calculate (see Incurred Loss Amount discussion below).

Providing these additional disclosures presents system constraint issues which are further exacerbated by the extremely limited amount of time that would be available to implement this new guidance. Key is already well into the process of drafting its Annual Report and Form 10K and by the end of January will be into the review phase for these documents to ensure they are timely completed and filed by the required deadlines. To begin implementing new disclosures at that point in the process is very disruptive and adds considerable risk given the numerous processes that must occur including a review of these documents by individuals both internally and externally. This also raises significant control issues under Sarbanes-Oxley as year-end testing will be near completion or already completed by the time this guidance is issued.

Key recommends, at a minimum, that in the best interest of investors and Key's commitment to high quality financial reporting that the effective date of any final guidance be delayed to later in 2009 to allow adequate time for the proper preparation, development and integration of these new disclosures.

Few New Disclosures

Many of the disclosures that would be required by this proposed guidance are already provided in Key's financial statements and the accompanying footnotes for these various financial assets such as reported amounts, fair values, and related accounting policies. Therefore a significant part of the challenge in implementing and providing these disclosures so late in the Annual Report and Form 10K process is ensuring that the provided disclosures are not redundant and are presented in such a way that they are easy for investors to understand and there is minimal or no overlap or redundancy. This is another reason why at a minimum, the additional disclosures set forth in this proposed guidance should be delayed to later in 2009 so these disclosures can be more deliberately implemented.

Incurred Loss Amount

The Exposure Draft is not clear or consistent in defining or describing the Incurred Loss Amount that must be provided for the various financial assets. In Paragraph 11, the proposed guidance states "For debt securities classified as held-to-maturity and available-

for-sale, an entity shall measure the incurred loss amount based on the present value of expected future cash flows discounted at the security's effective interest rate (consistent with Statement 114)." Does the parenthetical consistent with Statement 114 relate to the interest rate to be used in the calculation or does it mean that only impaired securities (consistent with Statement 114) should be considered in determining the incurred loss amount?

This above-referenced wording also seems inconsistent with the tabular disclosure provided in the appendix of this proposed guidance since footnote 'd' is only applied to available-for-sale securities and not held-to-maturity securities or is this simply an oversight?

Footnote 'd' of the tabular disclosure indicates "At the present value of estimated cash flows, discounted using each financial asset's original effective interest rate." If this is in fact the expectation as to how this incurred loss amount will be calculated, this is particularly problematic given the extremely limited amount of time that will be available to develop these disclosures. In researching Key's ability to comply with these required disclosures, it was determined that the original effective interest rate is not a data element maintained in our securities system. Based on our discussions with the vendor for this system which is considered a top end product and is used by numerous large financial institutions, original effective interest rate is not considered to be a critical data element and for that reason is typically not maintained. Therefore, to calculate this incurred loss amount for Key's available-for-sale and held-to-maturity securities will require a manual process including extensive data gathering to determine this amount for Key's \$8.4 billion securities portfolio. The timeframe for accomplishing this task is simply not adequate.

It is imperative that the FASB provide preparers with more time to develop the processes for obtaining the necessary data elements for these required disclosures. The effective date of this guidance should at a minimum be delayed until later in 2009 to allow the necessary time for preparers to ensure that the disclosures provided are accurate and appropriately thought out.

In conclusion, Key appreciates the opportunity to comment on the Exposure Draft entitled, "Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107" and requests that the FASB seriously consider the three issues (inadequate implementation time, few new disclosures, and incurred loss amount inconsistencies and data availability) set forth in our above comments as this proposed guidance is re-deliberated. As part of the re-deliberation process, the FASB should consider whether these disclosures need to be provided in the notes to the audited financial statements. Alternatively, these disclosures could be provided in Management's Discussion & Analysis.

We hope these comments are useful and positively influence the final guidance. We welcome the opportunity to discuss these issues in more detail. Please feel free to contact Chuck Maimbourg, Director of Accounting Policy & Research, at 216-689-4082 or me at 216-689-7841.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert L. Morris".

Robert L. Morris
Executive Vice President and
Chief Accounting Officer