

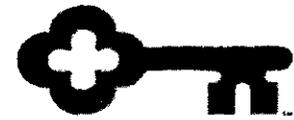


LETTER OF COMMENT NO. 3

Robert L. Morris
Executive Vice President
and Chief Accounting Officer

June 27, 2008

Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
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Re: File Reference: Proposed FSP FAS 133-b and FIN 45-c

Dear Director:

We are writing in response to your invitation to comment on the Exposure Draft entitled, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45".

KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at March 31, 2008, had assets of approximately \$101 billion. Key is engaged in buying and selling credit derivatives in the normal course of business. At December 31, 2007, the gross fair value of credit derivative assets was \$68M, and the gross fair value of credit derivative liabilities was \$62M. Therefore, the subject matter addressed in this Exposure Draft is 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.

In general, Key agrees that providing additional disclosures on credit derivatives will give financial statement users more information to determine the potential financial impact of an entity's credit derivatives. While Key believes the proposed changes set forth in the Exposure Draft will enhance information provided within an entity's footnote disclosures, Key also feels the following items need to be addressed in any final guidance issued relative to credit derivative and guarantee disclosures.

- Providing the credit derivative disclosures only as they relate to the seller does not provide the users of the financial statements with a thorough understanding regarding the financial impact of credit derivatives.

- The requirement to disclose the current status of payment/performance risk is not necessary since the maximum potential amount of future payments for sellers of credit derivatives as well as under guarantees will be disclosed.
- The effective date of any final guidance should be reconsidered based on the date when final guidance is issued and in consideration of other recently-issued guidance on enhanced derivative disclosures (i.e. SFAS No. 161).

Disclosures Relate Only to Seller of Credit Derivatives

While Key agrees that the most significant financial impact from credit derivatives occurs when an entity has sold a credit derivative instrument, the proposed guidance does not provide for an entity to disclose the fact that the financial risk may be offset by other derivative instruments. As shown by Key's level of gross fair value of credit derivative assets (\$68M as of December 31, 2007) as well as liabilities (\$62M as of December 31, 2007), the majority of the credit derivative positions from the seller's perspective are offset. Disclosure of only the instances where an entity is the seller of credit derivatives provides a one-sided view of overall exposure to these instruments. Without presentation of sell-side and buy-side exposure, financial statement users may have difficulty in determining the maximum risk exposure. We recommend that the final guidance include disclosure requirements to cover both the buyers and sellers of credit derivatives. To provide one-sided information about credit derivatives is misleading to the financial statement user and could lead to a misinterpretation of the entity's overall risk and exposure to such instruments.

Payment/Performance Risk Disclosure Currently Available

As described in the proposed guidance, entities will be required to disclose "the maximum potential amount of future payments (undiscounted) the seller could be required to make under the credit derivative". In addition, FIN 45 in paragraph 13b currently requires that guarantors disclose "the maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee". Therefore, if the credit derivative disclosure requirements are issued as proposed, entities will disclose the maximum potential amount that they could be required to make under credit derivatives and guarantees.

By including the payment/performance risk disclosures as proposed in the Exposure Draft within the derivative and guarantee footnotes in addition to the maximum potential amount of future payments, financial statement users will have difficulty in determining how that information impacts the maximum potential amount of future payments. Key agrees that disclosing such information as external credit ratings and/or internal categories/groupings based on how an entity manages risk would be necessary to fully disclose payment/performance risk. However, to make this information meaningful in such a way that a user could then apply this information to the maximum potential amount of future payments, the result will be onerous disclosures that will not provide the desired clarification for financial statement users. Disclosing the maximum potential exposure provides financial statement users with a clear indication of an entity's maximum exposure, without adding the confusion of credit ratings or other internal categories which require interpretation by the reader.

In addition, the disclosure would require a significant amount of time to prepare. To obtain that level of detail for each outstanding credit derivative sold and guarantee would be cost prohibitive. As described above, the benefits would not outweigh the costs for this disclosure. As a result, Key believes that the requirement to disclose the current status of payment/performance risk should be removed from any final guidance issued.

Effective Date

The Exposure Draft, if adopted by the FASB as final guidance, would be effective for fiscal years and interim periods ending after November 15, 2008. Considering final comments are due June 30, 2008, and then the Board must re-deliberate the proposed guidance over the remainder of the summer, it would be Key's request that the effective date for this proposed guidance be pushed back. This proposed timing would not provide sufficient time in which to implement this new disclosure guidance after the issuance date. In addition, Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities: an Amendment of FASB Statement No. 133*, is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As both Statements require enhanced disclosures about derivative activities, it would seem reasonable that the effective dates be consistent for the implementation of both sets of guidance.

We hope these comments are useful and positively influence the final guidance. We welcome the opportunity to discuss this issue 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,



Robert L. Morris
Executive Vice President
and Chief Accounting Officer