



LETTER OF COMMENT NO. 309

 REGIONS

April 1, 2009

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 157-e

Dear Mr. Golden:

We appreciate the opportunity to comment on this proposed amendment. Regions Financial Corporation ("Regions" or "the Company"), with approximately \$146 billion in assets, is a member of the S&P 100 Index and one of the nation's largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates 1,900 banking offices and approximately 2,300 ATMs. We provide brokerage services and investment banking through approximately 300 offices of Morgan Keegan & Company, Inc.

FASB Should Reconsider Fair Value Definition

We understand that careful consideration of the definition was given over many years leading up to the issuance of FAS 157. However, the current market disruptions as well as those of 2008 proved that an exit price is not necessarily the exclusive data point in determining a fair value estimate. Replacement costs and company-specific modeling that incorporate the willing seller concept also represent valid inputs. We strongly encourage FASB to consider re-working the framework such that other data points may be considered.

To illustrate our concern, consider the following fact pattern. Assume a broker dealer purchases securities during 2008 when the market ceased to function normally. The securities are carried in the trading portfolio (where broker dealers must carry investment securities). The issuers of the securities carry investment grade credit ratings. The securities are purchased as an accommodation to the issuers, which are also customers of

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the entity. The issuers perform as contractually required, with the intent of restructuring the securities into other funding instruments. Under FAS 157, the securities can not be carried at par because the market for these securities was disrupted. Carrying the securities at par would imply that the company could exit the securities at the reporting date at par (which is impossible due to the disrupted markets). However, from a business standpoint, there is company-specific value in the securities, namely the associated customer relationship. Combined with the fact that there is very low credit risk associated with the instruments, par is supportable from a practical economic standpoint. However, the exit price concept under FAS 157 creates a reduction in earnings in one period which is immediately recovered in a future period (as the restructurings are executed). Regions believes that the financial reporting impact as required by FAS 157 poorly portrays the economics of the transactions. However, because FAS 157 exclusively requires the exit price model, there are no other options.

The Board must accept that the real problem with FAS 157 is the exclusive reliance on an exit price in estimating fair value. FASB should implement a more principles-based approach by allowing consideration of all relevant data points including the willing seller concept. We understand that broadening the definition will allow for inconsistencies in application and even the potential for abuse. However, we believe that these risks must be weighed against the risk that the framework is not sufficiently flexible to enable financial reporting to reflect economic reality, which does not represent exiting the market at bottom prices. The example noted above was apparently indicative of “real life” scenarios in the financial services industry in 2008. Again, punitive accounting answers may have led to decreased confidence of market participants, negatively impacting the overall economy. Our suggested solution is to allow for the consideration of more data points, such that a rational reasonable answer can be reached. If more flexibility in the definition is allowed, there will be no need for the Board to issue FSPs like 157-e, which delves into the minutia of defining an “inactive market.”

If the Board chooses not to use this opportunity to change the fair value framework and definition and to continue issuing implementation guidance for the current model, we have additional comments on the proposed FSP as follows.

Applicability of Concepts in FSP to Non-Financial Assets and Liabilities

Based on the first paragraph of the FSP, it appears that the Board intends to clarify whether a market for a financial asset is not active and a transaction is not distressed for purposes of fair value measurements. Given that calendar year companies which did not early-adopt FAS 157 are now required to apply the methodology to all assets and liabilities carried at fair value, we believe that the FSP would be improved if it also specifically addressed non-financial assets and liabilities.

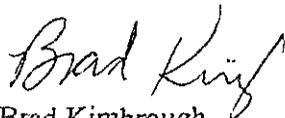
To illustrate, assume a bank carries foreclosed properties at net realizable value. A key component of the NRV calculation is an estimate of the current fair value of the underlying property. There are valuable assets in foreclosed properties; however, due to dysfunctional markets, there is a lower pool of potential buyers able to obtain the necessary credit to participate. These market aberrations cause transaction pricing for comparable properties to be unusually low, and not necessarily indicative of a reasonable fair value of the properties. This phenomenon ultimately affects appraisal values that are key to the NRV calculation. Using these values in the NRV calculation may result in asset valuations which are unreasonably low. We suggest that the scope of the FSP be broadened such that the same process to determine if an active market exists for financial assets is available for nonfinancial assets. We believe that more rational asset valuations and improved financial reporting will result.

Timing and Operational Considerations

We believe that the approach outlined in the proposed FSP can be reasonably implemented from an operational standpoint. We believe that the transition timing is appropriate.

Again, we appreciate the opportunity to comment on this exposure draft and we thank you for considering our views. If you have any questions about our comments or wish to discuss this matter further, please contact me at (205) 326-4972.

Sincerely,



Brad Kimbrough
Executive Vice President, Controller and
Chief Accounting Officer