



LETTER OF COMMENT NO. 62



August 6, 2008

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

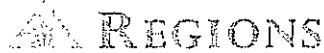
File Reference 1600-100: Exposure Draft – Proposed Statement of Financial Accounting Standards, Disclosure of Certain Loss Contingencies, an amendment of FASB Statements No. 5 and 141(R)

Dear Mr. Golden:

We appreciate the opportunity to comment on this Exposure Draft. Regions Financial Corporation (“Regions” or “the Company”), with approximately \$144 billion in assets, is one of the nation’s largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance product 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 a 2,400-ATM network. We provide brokerage services and investment banking through approximately 400 offices of Morgan Keegan & Company, Inc.

We understand the Board’s objective is to promote transparency of financial statements and availability of pertinent information related to loss contingencies to users. We believe that the best way to accomplish this objective is through enhanced qualitative disclosures where the likelihood of loss is considered at least “reasonably possible.” We agree that the categories of qualitative disclosure requirements in the exposure draft regarding legal or contractual bases of claims (or types of claims), current status, anticipated timing, and qualitative assessment of the most likely outcome would provide relevant information in enabling users to understand the financial condition of reporting entities. While we understand the Board’s concern that numerical loss estimates are rarely disclosed, we do not agree with the Board’s suggested solution outlined in the exposure draft.

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Expanded Scope of Matters to Be Disclosed

We disagree with the exposure draft's requirement to expand disclosures to include all loss contingencies unless the likelihood of loss is considered "remote." The current guidance requiring disclosure for contingencies where the likelihood of loss is considered "reasonably possible" provides a solid framework for disclosure. We believe that supplemental additions to disclosures required by the current framework, rather than wholesale revision of the scope of matters to be disclosed, is the most appropriate course of action.

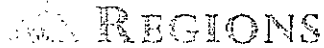
The suggested discussion of matters where the likelihood of loss is greater than "remote" but less than "reasonably possible" does not provide meaningful information to financial statement users. The very fact that management characterizes a loss as less than "reasonably possible" is an indication that its best judgment is that a loss is unlikely. We believe that disclosure of matters in this category will lead to confusion among users of the financial statements, including the potential assumption that a reporting entity's financial condition is less healthy than reality.

Inconsistency of Expanded Scope with Other Accounting Literature

We also note that the current "reasonably possible" disclosure threshold appears to be consistent with the "more-likely-than-not" disclosure requirements for uncertain tax positions under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109* ("FIN 48"). We believe that expansion of required disclosure of loss contingencies where the likelihood of loss is less than "reasonably possible" will create an inconsistency with FIN 48 disclosure requirements (i.e., the model for determining disclosure would be wider in scope for loss contingencies than for uncertain tax positions). This inconsistency may lead to confusion among users of financial statements.

Quantitative Disclosures

While we recognize that the Board is responding to concerns that current disclosures rarely include numerical estimates of loss contingencies, we believe that costs and risks associated with the exposure draft requirements for increased quantitative disclosures outweigh any incremental benefit. Claim amounts for lawsuits can be unreasonably high and may not be indicative of a reasonable claim, the ultimate loss, or settlement amount and therefore not representative of the impact on the financial condition of a reporting entity. We ask you to consider that this situation must be applied within the context of a reporting entity the size of Regions (see metrics of opening paragraph). The Company operates in multiple locations, employs over 30,000 associates, and has daily interaction

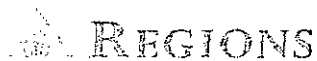


in the retail marketplace. Because of the scope of Regions' operations, there is a large volume of claims to be dealt with at any one time. Regions employs a staff of attorneys, as well as outside counsel across the footprint, who work to resolve these matters on a daily basis. Disclosure of the resulting magnitude of the claims, especially given the situation described above where the claim amount has little bearing on the ultimate outcome, would provide a misleading portrayal of the true loss contingencies likely to be realized by the Company.

The exposure draft suggests that the claim amount is appropriate for disclosure because it is objective in nature and is generally available through review of court documents which are available to the public. While this is true, we believe that the disclosure of data related to these claims in the footnotes to financial statements would have unanticipated results. Because litigants have no restriction on the amount of damages claimed, an opposing attorney might be tempted to inflate a claim amount, knowing that this information will be widely disseminated due to expanded financial statement disclosure requirements. In this situation, it is possible that the financial reporting process could be used to obtain leverage in the matters that are the subject of the disclosures.

Accommodation Allowing for Disclosure of Management's Estimate of Loss

In response to concerns that claim amounts do not correspond to the level of loss that will be realized or can not be determined, the exposure draft allows additional disclosure of a reasonable range of the possible loss. We do not believe that this is a workable solution. Due to the subjective nature and inherent uncertainty of this type of estimate, we do not believe this estimate would provide meaningful or relevant information to financial statement users. For example, litigants may periodically file lawsuits seeking "class" status. If this categorization is approved, exposure to losses may increase exponentially. If class status is not granted, there may be zero associated loss. Accordingly, in the early stages of these types of cases, it is virtually impossible to arrive at a reliable estimate of a range of losses. Likewise, settlement negotiations and trial proceedings are inherently subjective and impossible to predict. If a matter has reached this stage, it is likely that some amount of loss is at least "reasonably possible" and should be disclosed under existing literature unless immaterial. However, the exposure draft's requirement to disclose the claim amount may lead to misleading information, and the Board's suggested alternative of assigning an estimated range of loss would force management to consider disclosure of amounts that cannot be reasonably estimated. The outcome may be disclosure of an estimate that is unreliable or a range of loss that is so wide that it is meaningless.



Regarding disclosure of a range of estimated losses, this information might be admissible as evidence in cases that are the subject of disclosure. Disclosing such information could result in a waiver of the attorney-client privilege that would otherwise protect such assessments from discovery or use in litigation against an entity. Because such matters are inherently uncertain, the disclosures might conceivably provide a source for securities litigation if the predictive disclosures prove inaccurate. To summarize, if the estimates prove to be high, the entity accepts additional exposure in the case being described; if the estimates prove to be low, the entity accepts exposure to securities litigation. We do not believe that the benefits to the reader of disclosing this subjective and inherently uncertain information exceed the incremental risks of making the disclosure.

Exemption for Prejudicial Information

Regarding the Board's decision to allow for aggregation at a higher level than would be ordinarily permitted such that prejudicial information may be omitted, we noted that the Board allows no circumstances where certain qualitative disclosures may be omitted. However, these qualitative disclosures may also prove to be harmful in the matters being described. We recognize that the Board is looking to achieve a delicate balance to provide sufficient disclosure to enable a reader to understand a company's true financial condition without jeopardizing stakeholders (including certain financial statement users) by increasing the risk of loss through requiring these disclosures. We believe that the best compromise is to allow sufficient leeway in the exemption such that any information may be omitted if management reasonably believes that it may be ultimately harmful in the matters being described.

Incremental Costs to Comply with Expanded Disclosure Requirements

There are incremental costs in accumulating information for this disclosure that should be considered. An observer may assume that information related to litigation is readily available. Certainly, legal counsel for reporting entities of any size generally has access to a list of claims or assessments, and an evaluation of the likelihood of loss is already required under the existing accounting framework. However, we believe the exposure draft requirement to determine a best estimate of maximum exposure where there is no stated claim or assessment will require additional time and expense. External auditors will likely expect this additional information to be described in their correspondence with outside attorneys, which will increase legal and audit fees. Likewise, where management does not believe that the claim amount is representative of the actual exposure to loss, additional legal fees may be necessary in order to quantify the best estimate of maximum exposure. Additionally, it should be noted that information in correspondence with external auditors is not subject to attorney-client privilege. We note that the



discoverability of this additional information may increase exposure in the matters being described.

A large amount of publicity has been devoted to the application of the Exposure Draft to litigation. However, there are many additional categories of loss contingencies that we believe would fall under the scope of the revised disclosure requirement. For example, Regions routinely sells loans, including whole loans and syndications. For each loan sale, there is the possibility that a buyer may have some level of recourse if file documentation does not meet standard contractual requirements. While these losses may not rise to the level of “probable” or even “reasonably possible,” history might support a characterization that is greater than “remote.” Under the proposed standard, each one of these transactions would need to be considered for disclosure, individually and in the aggregate. On any given business day, Regions may enter into any number of transactions like the ones described above. There are many additional examples where FAS 5 is the required accounting literature. While we routinely make accounting decisions (i.e., recording a liability if a loss is considered “probable” and can be reasonably estimated), there may not be a mechanism to capture potential losses where the likelihood of loss is less than “reasonably possible.” In order to implement the disclosure requirements under the exposure draft, a company would be required to create systems and processes to track these matters and accumulate information for disclosure. We do not believe that the value of the incremental information provided by the enhanced disclosures supports the additional cost of compiling the information for disclosure.

Tabular Reconciliation

Regarding the requirement in the exposure draft to include a tabular reconciliation of the beginning and ending accrual for loss contingencies, we recognize that this disclosure provides more detailed information that is already a part of the financial statements. However, in order for a reader to adequately understand the components of the rollforward, it would be necessary to disclose additional qualitative information. Disclosure of this information leads to the same risks described above (i.e., accompanying loss estimates might be prejudicial; inclusion of a range of loss requires discussion of inherently uncertain estimates, etc.). Accordingly, we recommend that any final standard not include the tabular reconciliation requirement.

If the Board chooses to include the tabular reconciliation requirement in a final standard, we believe that disclosure on an annual basis is most appropriate, as opposed to quarterly timing. Given that Regulation S-X suggests that quarterly financial statements are an update of the previous year’s annual financial statements, existing regulations require



disclosure if changes in circumstances require material revisions to accounting estimates. We believe that presentation of the tabular reconciliation for the annual financial statements combined with the existing requirements for quarterly updates to the previous annual disclosures provides financial statement users with appropriate and timely information.

Requested Clarification for Banking-Specific Matters

We note that paragraph 3 excludes allowances for impaired loans as described by FAS 114 from the scope of the exposure draft. Regions also records an allowance for loan losses under FAS 5 for pools of loans with similar risk characteristics. Additionally, we record a liability for credit losses associated with unfunded commitments under FAS 5. We believe the Board intended for these allowances for credit losses to also be excluded from the scope of the exposure draft. We note that paragraph A5 indicates that allowances for uncollectible accounts receivable are exempted. We suggest that any final standard clarify that any allowance for credit losses, whether under FAS 5 or FAS 114, is subject to other disclosure requirements and is outside the scope of this standard.

Request for Additional Transition Time

Given the breadth of the required disclosure, we request that the Board consider enabling a longer transition period such that preparers have appropriate lead time to inventory all contingent liabilities, consult with outside counsel and ensure that the disclosure is complete. We believe that transition during the 2009 annual reporting cycle (for example, effective for annual financial statements for fiscal years ending after December 15, 2009) is more realistic than the timing outlined in the exposure draft.

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,

/s/Brad Kimbrough

Brad Kimbrough
Executive Vice President, Controller and
Chief Accounting Officer

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