

September 25, 2012

Via email

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File Reference No. 2012-200, Proposed Accounting Standards Update, Financial Instruments (Topic 825), *Disclosures about Liquidity Risk and Interest Rate Risk*

We appreciate the opportunity to comment on this exposure draft ("ED"). Regions Financial Corporation ("Regions" or "the Company"), with approximately \$122 billion in assets, is one of the nation's largest full-service providers of consumer and commercial banking, trust, mortgage and insurance product services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates approximately 1,700 banking offices and approximately 2,100 ATMs. Regions also provides full-line insurance brokerage services through Regions Insurance, Inc., one of the 25 largest insurance brokers in the country.

General Comments

Regions is a member of the American Bankers Association and The Clearing House, and as such has been able to participate in these two associations' comment letters on this ED. Regions is in general agreement with many of the points made in those letters. We have certain specific issues that we believe are important to reiterate and provide our perspective. Regions' main concerns with this ED are related to the following topics:

- The prescriptive nature of the proposed tabular disclosures,
- The inclusion of this information in the audited financial statements' footnotes as opposed to Management's Discussion and Analysis ("MD&A") section where related disclosures currently reside, and
- Liquidity and interest rate disclosures are either already required by banking industry and other regulators or are in the process of being developed.

Prescriptive Nature

Regions believes that the prescribed tabular disclosures are not indicative of industry standards for liquidity or interest rate risk management. For example, repricing tables used in gap analysis have largely been supplanted by more sophisticated methods made possible with increases in computational power. Gap analysis can even lead to erroneous conclusions since a positive or negative gap may lead a user of the financials to conclude asset or liability sensitivity, but for large movements in interest rates the opposite may actually be true. This phenomenon is due largely to optionality within balance sheets, which a static view cannot adequately reflect - this is partly why the industry has moved away from gap analyses. Liabilities with indeterminate maturities also pose a challenge for gap analysis methods, as "maturity bucketing" oversimplifies the uncertainty associated with such products. A decision would need to be made to either standardize which maturity bucket in which to include them or leave out of the disclosure entirely.

Regions is also concerned that disclosure of duration and repricing may inadvertently disclose competitive strategy. For instance, if a financial institution is seen to be increasing duration of commercial assets, this may reveal a component of a strategy to focus on originating fixed-rate assets, which may lead to a competitive response.

Footnote versus MD&A

Regions believes the liquidity and interest rate risk disclosures, as proposed, belong in MD&A concurrent with their largely analytical content. For example, duration is the quintessential example of an <u>analytical</u> measure, being that it is exclusively formed on the basis of financial models, and is almost never directly observable. Furthermore, duration and repricing analyses do not directly result in entries into the financial statements. Other disclosures of valuation estimates such as financial instrument fair value disclosures, mortgage servicing rights, and goodwill impairment analyses are at least theoretically observable, as one could pursue a sale/purchase transaction. Duration and repricing sensitivity estimates are, by contrast, not theoretically observable or confirmable in the market.

Placing these analytical measures into the footnotes may give a user an improper sense of the information's certainty and precision. As a consequence of the non-observability of these metrics, analysts must augment limited historical data with qualitative elements in order to predict behavior in each of the various hypothetical economic and interest rate environments such as those prescribed in the proposal. Two reasonably constructed models may deliver significantly different results. Furthermore, techniques used for this purpose may be proprietary or may be provided by third parties. Collectively, these factors raise serious concerns for the ability of an independent, external auditor to validate or arrive at certainty regarding the content of these disclosures. The potential costs of auditing these analyses cannot be determined at this time, but would likely be considerable.

Coordination with Regulators

It is imperative that any proposed disclosures related to liquidity and interest rate risk be coordinated with the various regulatory bodies that promulgate the current disclosures or are currently developing new disclosures. Financial institutions have been making interest rate risk sensitivity disclosures under Securities and Exchange Commission ("SEC") Guide 3 rules in

MD&A. The Basel Committee has developed the Liquidity Coverage Ratio ("LCR") to be implemented by 2015. In its June 7th, NPR for Regulatory Capital Rules, the Federal Reserve Board has introduced rules which propose other specific disclosures regarding these risks. Financial institutions' regulatory agencies are experienced in interpreting and analyzing liquidity/interest rate risk analyses, sensitivities, and shock scenarios. We strongly believe the FASB should not implement related disclosures in isolation.

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