September 3, 2010

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

By email to: director@fasb.org

Re: File Reference No. 1830-100

Director:

First Horizon National Corporation appreciates the opportunity to comment on the Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820) – Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (the “Proposed ASU”). We support the FASB’s objective of developing common fair value measurement and disclosure guidance with the IASB. However, in our view implementation of the measurement uncertainty analysis included in the Proposed ASU would result in significant incremental effort and cost for financial statement preparers but would not result in a meaningful improvement to fair value measurement disclosures.

Similarly, the proposed requirement to disclose any transfers between Level 1 and Level 2 of the fair value hierarchy, as well as the proposed requirement to disclose the fair value by level for financial instruments not measured at fair value, will require incremental work but have limited usefulness. Additionally, we believe that the concepts of “valuation premise” and “highest and best use” currently included in FASB Accounting Standards Codification Topic 820 (ASC 820) should continue to apply to certain financial assets. Further, we believe that the effective date of the Proposed ASU should be aligned with the effective date of the final accounting standards update on accounting for financial instruments.

Measurement Uncertainty Disclosures

For recurring fair value measurements using unobservable inputs (Level 3 measurements), the Proposed ASU would amend ASC 820 to require a measurement uncertainty analysis showing the effects of alternative Level 3 inputs that could have reasonably been used to estimate fair value if use of the alternative inputs would have resulted in significant differences in measurement. While we understand financial statement users’ desire to have greater transparency about the sensitivity of fair value measurements for which the inputs are unobservable and subjective in nature, we believe the proposed measurement uncertainty analysis would be costly to prepare and would often provide information of questionable value. The guidance in the Proposed ASU indicates that an entity’s measurement uncertainty analysis should include an assessment of the correlation between unobservable inputs when changing one unobservable input. However, to attain a sufficient correlation, an unmanageable level of “what if” scenarios may be required given the inter-relationship of certain inputs to a fair value measurement. For example, interest rate assumptions related to
loans, mortgage servicing assets and asset-backed securities also affect assumptions regarding prepayment rates and probability of default.

Additionally, determining alternative inputs that “could have reasonably been used” from the market’s perspective, as would be required under ASC 820, would be difficult given the broad range of results that “reasonably” can represent. Further, the Proposed ASU states that significance of the change in the fair value measurement “shall be judged with respect to earnings (or changes in net assets) and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, with respect to total equity”, but does not prescribe guidance about what is meant by the term “significantly”. The inherent subjectivity in assessing scenarios where other inputs could reasonably have been used, and that would have changed the fair value measurement significantly, would naturally produce a wide disparity in disclosures across financial statement preparers due to the unique perspective of the individual(s) performing the assessment. These considerations illustrate the challenges of implementing the proposed measurement uncertainty disclosures and, therefore, we believe the proposed uncertainty analysis would be burdensome to implement and that the resulting range of alternative inputs disclosed could become so wide that the additional disclosures would be of little value to financial statement users.

Our concerns will be particularly relevant if the provisions of the FASB’s Proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivatives and Hedging (the “Proposed AFI ASU”), that is currently out for comment are put into effect as drafted. Under the Proposed AFI ASU, a full mark to market would be required for all loans and debt securities held for investment purposes. Based on the use of unobservable inputs in the measurement of fair value for many types of these instruments, they would be subject to the measurement uncertainty disclosures discussed above. This would further increase the range of alternative inputs, making the uncertainty analysis inoperable for preparers and confusing to financial statement users given the volume of data that would be disclosed. Additionally, it would decrease the comparability of disclosures between entities as the determination of “reasonable” other assumptions from the market’s perspective for certain loans held for long-term investment purposes, such as commercial loans for which there has never been an active secondary market, will be highly subjective. While we note that measurement uncertainty disclosures are already included in IFRS and that the IASB included an assessment of the correlation between unobservable inputs in the proposed disclosures provided in its re-exposed proposed fair value disclosures document issued in July 2010, under IFRS assets held for long-term investment are measured at amortized cost resulting in a significantly reduced scope for instruments that require consideration for disclosure under the uncertainty analysis required by IFRS. Therefore, we also believe that due to the measurement difference between IFRS and U.S. GAAP for assets held for long-term investment, the measurement uncertainty disclosures should be removed from the Proposed ASU.

Given the complexity of the proposed measurement uncertainty analysis, we believe that while the quality of our disclosures would not increase in a way that is meaningful to users the costs to provide the disclosures would increase significantly. The potential costs of the additional disclosures are not limited to the cost of additional preparation time and resources, but also for the increased documentation required by auditors to support the input assumptions used in the analysis and to perform change control testing procedures required under Sarbanes Oxley Act 404 each period as the range of reasonable alternative inputs change to reflect current market conditions. Thus, we believe the costs of providing the
proposed uncertainty disclosures far outweigh any incremental benefit, particularly if the Proposed AFI ASU is issued as drafted.

**Disclosures Regarding Transfers between Level 1 and Level 2 of Fair Value Hierarchy**

The Proposed ASU would amend ASC 820 to require that the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers be disclosed, rather than only for significant transfers between those levels as currently required. We believe that the broader disclosure requirements would result in incremental work for preparers without providing beneficial information to financial statement users, based on the insignificance of the additional transfers to be disclosed.

**Fair Value Hierarchy Disclosures for Financial Instruments Not Measured at Fair Value**

The Proposed ASU would require disclosure of fair value by level for each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed. As held for investment financial assets are not recorded at fair value based on management’s intent, disclosure of the level of the fair value hierarchy into which the measurement falls (i.e., disclosure of the level of subjectivity in the measurement) would result in incremental work for preparers without providing beneficial information to financial statement users as there is no intent to sell the instruments as of the measurement date. This is also true for debt instruments for which the company will repay the principal amount at maturity. However, if the Proposed AFI ASU is finalized as drafted, most financial instruments will be measured at fair value in the statement of financial position. Therefore, we believe that this disclosure requirement would be irrelevant if the Proposed ASU and the Proposed AFI ASU have effective dates which are aligned (see our comments regarding this below in the Effective Date section).

**Valuation Premise and Highest and Best Use**

The Proposed ASU would amend ASC 820 to replace the terms “valuation premise” and “highest and best use” with descriptions of the concepts. Additionally, the Proposed ASU would amend ASC 820 to provide that the concepts of “valuation premise” and “highest and best use” are only relevant when measuring the fair value of nonfinancial assets. However, the Proposed ASU would provide an exception whereby certain financial assets and liabilities may be measured based on a portfolio approach if the reporting entity has offsetting risk positions and other specified criteria are met. We believe that for certain financial assets which trade as a group (e.g., mortgage loans) but do not have offsetting risk positions with a counterparty, measurement in combination with other assets should also continue to be allowed. Valuation on a stand-alone basis would be inconsistent with an entity’s history of disposing of the assets as a group and with management’s intent for the investment. Further, measured individually the values would be inconsistent with expectations, as the sum of the fair values of each individual investment may be different than the value of the group as a whole to a third party market participant.

**Effective Date**

Given certain provisions included in the Proposed AFI ASU, we believe that the effective date of the Proposed ASU should be aligned with the effective date of the Proposed AFI ASU.

If you have any questions regarding the comments presented in this letter, please contact me at (901) 537-1937.
Sincerely,

/s/ Shawn P. Luke

Shawn P. Luke
Senior Accounting Manager
Chief Accounting Officer’s Division
First Horizon National Corporation