December 13, 2010

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

Via email: director@fasb.org

File Reference: No. 1880-100 Clarifications to Accounting for Troubled Debt Restructurings by Creditors

Dear Technical Director:

Commerce Bancshares, Inc. (Commerce) appreciates the opportunity to comment on the exposure draft Clarifications to Accounting for Troubled Debt Restructurings by Creditors (ED). Commerce is an $18.3 billion bank holding company which has been in business for 145 years, operating principally in the lower Midwest portion of the United States. Our markets include St. Louis and Kansas City and surrounding smaller markets in Missouri, Kansas, central Illinois, Oklahoma and Colorado, and we have over 200 full service branches and 400 ATMs. CBI operates as a traditional bank with broad, sophisticated product offerings to both consumers and business customers, including such things as consumer and business loan and deposit products, brokerage services, credit card products and trust services. We focus on risk management throughout all our businesses and our credit culture, developed over many years, helped to see us through the recent financial crisis much better than many of our peer banks.

Commerce understands the concerns with the identification and reporting of troubled debt restructurings (TDRs). However, we are opposed to the ED, as the ED proposes changes that will make the process to evaluate loan modifications unnecessarily difficult and complex, and it also misses the point on whether or not the related loans pose increased credit risk to the bank.

- Because of the financial difficulty criteria, many loans (especially commercial type loans) identified as TDR's are already classified as non-accruing and part of impaired loan totals. Usually when true concessions are made such as forgiving interest or principal, impairment charges (loan losses) are taken and loans are put on non-accrual. Further disclosures of these loans as TDR's adds little value to investor disclosures since the loans are already shown as non accrual and impaired. We believe this added TDR designation for these loans actually confuses investors and should be eliminated.

- To deal with larger volumes of problem loans, banks have to set criteria, in accordance with existing rules, to identify when borrowers are experiencing financial difficulties. Under the ED's criteria of: payment default is probable, or forecasted cash flows are insufficient to service the existing debt, this usually means the loan should be put on non-accruing status and therefore TDR status is not truly meaningful as described above.

- The ED also emphasizes the current standard's market-based trigger in identifying a TDR (i.e. if on a restructuring or renewal for a borrower in financial difficulties, a market rate is not charged, then a TDR exists). This market trigger is the biggest problem in the current TDR analysis. Because of complexities
related to specialized terms, relationship pricing for package services, collateral and personal guarantees applied to loans, it is very difficult to determine a “market” interest rate on most loans. Furthermore, basing TDR designation based on whether a market rate of interest is charged on a loan renewal does not seem to be a good practice and seems of little value to investors trying to understand a bank’s risk profile. Often the result is that properly accruing loans are designated as a TDR (due to lack of market interest rates) and comingled with other impaired loans which are usually non-accruing. All of this creates much confusion to investors and as recently stated in an American Banker newspaper article, it does not clarify the credit risk of the bank but rather creates confusing accounting disclosures. Focusing on true concessions such as principal or interest forgiveness would be a much more valuable disclosure to investors and less confusing.

- Often at renewal of a loan, a borrower in trouble will be given a 3 months payment deferral, especially where business is seasonal, but interest continues to accrue and no principal or interest is forgiven. This insignificant delay should not trigger any TDR reporting as long as the bank expects to be fully repaid. This is a normal lending practice and should not be a triggering event for TDR designation.
- The changes proposed will, if implemented, require many changes to our processes to identify TDRs which have already been dictated by regulatory guidelines. Further requiring any such changes in the ED to be stated on a retroactive basis would be extremely difficult since this information is not available in any kind of automated basis and is normally tracked entirely manually today.

We suggest the Board consider the following:

- We believe TDR’s as currently defined or proposed in the ED has lost its relevance and could be eliminated or restricted to just true modifications in which principal or interest is forgiven.
- The concept that a loan to a borrower experiencing financial difficulties must be renewed at a market rate should be eliminated as a concession. These are not true financial concessions and the difficulties noted above in determining market rates coupled with the confusing disclosures suggests that this criteria should be eliminated in the overall TDR rules.
- Rules on insignificant delays should not be so restrictive such that short-term payment deferrals used commonly in the banking industry trigger TDR designation.
- Any changes to TDR rules should be made only prospectively since information on past years would be extremely hard to get and would be of little value to investors who are really only interested in current and future credit risks.

We believe the Board should take serious steps to review this TDR concept and evaluate the need for this disclosure, in light of all the new and existing credit disclosures already in practice. At a minimum, we strongly believe that the Board should narrow the focus of TDR rules to include only true modifications, where principal or interest is forgiven, eliminating renewal or market value concepts.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me at 816-234-2081 or at Jeff.Aberdeen@Commercebank.com if you would like to discuss our views.

Sincerely,

Jeffery Aberdeen, Controller

Commerce Bancshares, Inc.