October 7, 2019

Technical Director
Financial Accounting Standards Board
File Reference No. 2019-770
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (File Reference No. 2019-770)

Dear Technical Director:

Regions Financial Corporation appreciates the opportunity to comment on the Proposed Accounting Standards Update, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Proposed Update). We support the Board’s efforts moving in tandem with the financial markets in support of the reference rate reform effort.

Regions, with approximately $128 billion in assets, provides traditional commercial, retail and mortgage banking services, as well as other financial services in the fields of asset management, wealth management, securities brokerage, trust services, merger and acquisition advisory services and other specialty financing. We serve customers across the South, Midwest, and Texas, and through our subsidiary, Regions Bank, operate approximately 1,500 banking outlets.

Overall, Regions support the amendments to provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform included in this Proposed Update. Also, as a participant in the Accounting and Tax working group, we support the Alternative Reference Rate Committee (ARRC) and the Accounting Committees of the Securities Industry and Financial Markets Association’s (SIFMA) comment letter on this Proposed Update.

We have provided feedback regarding certain questions that we encourage the Board to consider. This is included in Responses to Selected Questions for Respondents, which are included as an Appendix to this letter. Thank you in advance 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 or at brad.kimbrough@regions.com.

Sincerely,

Brad Kimbrough
Controller and Chief Accounting Officer
Appendix - Responses to Selected Questions for Respondents

General

Question 1—Costs and Complexities: Are the amendments in this Proposed Update operable and auditable? If not, which proposed amendment(s) pose operability or auditability issues and why?

We appreciate the FASB attention to this unique industry issue and believe the Proposed Update is operable and auditable with exclusion of the certain disclosure requirements being considered, specifically addressed in BC91, which, if adopted, would pose operability and auditability issues, as well as substantial cost burden beyond that already contemplated.

Existing Management Discussion and Analysis (MD&A) information provides financial statement users adequate information regarding interest rate sensitivity. Preparers will continue to react to the needs of its investors and users on the topic of rate reform. We believe that introducing additional auditable disclosures creates an undue burden on financial statement preparers that outweighs the benefit provided to financial statement users as these items will be addressed within the MD&A disclosures.

Question 2—Additional Issues: Are there additional accounting issues or optional expedients related to reference rate reform that the Board should consider? Please be as specific as possible and explain why those issues require consideration.

Yes. Current accounting guidance does not address modification accounting of equity-classified preferred stock instruments. Specifically, ASC 470 Debt does not apply to preferred stock classified as equity, many of which are structured to include LIBOR indices. We support The ARRC Accounting and Tax subgroup letter to the SEC requesting that equity-classified preferred stock instruments (whether permanent or temporary), with dividends or terms referencing LIBOR qualify for the same measurement scope exception included in the Proposed Update.

Contract Modifications

Question 3—Expedients: Do you agree with the proposed expedients for the accounting for contract modifications? If not, please explain which proposed amendment(s) you disagree with and why.

We agree with the proposed amendments for the accounting for contract modifications along with the consideration of our commentary below.

The Proposed Update includes ‘Identifying changes to terms related and unrelated to the replacement of the reference rate’ which provides for contract modifications that would not be in the scope of the relief. We suggest the following clarification to allow facts and circumstances in this determination.

848-20-15-6 Changes to terms that are unrelated to the replacement of the reference rate are facts and circumstance based, and can include those that are made as a result of a new underwriting or business decision that is separate from or in addition to changes to the terms of a contract to effect
the transition for reference rate reform. Examples of changes to terms that are usually unrelated to the replacement of a reference rate in accordance with paragraph 848-20-15-3 though can be overcome based on a facts and circumstance assessment of the modification include....

**Question 4—Election Level:** Do you agree that the optional expedients for contract modifications should be applied at the relevant Topic, Subtopic, or Industry Subtopic level? If not, what alternative do you suggest and why?

**Yes.** We agree that the optional expedients for contract modifications should be applied at the Topic level.

**Hedge Accounting**

**Question 5—Change in Critical Terms:** Do you agree with the proposed exceptions to the requirement in Topic 815 to de-designate a hedging relationship for a change in critical terms of the hedging relationship? If not, please explain which proposed amendment(s) you disagree with and why.

**Yes.** We agree with the proposed exceptions to the de-designation requirements in Topic 815.

**Question 6—Fair Value Hedges:** Do you agree with the proposed optional expedients for fair value hedge accounting? If not, please explain which proposed amendment(s) you disagree with and why.

**Yes.** We agree with the proposed optional expedients for fair value hedging.

**Question 7—Cash Flow Hedges:** Do you agree with the proposed optional expedients for cash flow hedge accounting? If not, please explain which proposed amendment(s) you disagree with and why.

**Yes.** We agree with the proposed optional expedients for cash flow hedging.

**Question 8—Election Level:** Do you agree that the proposed exceptions and optional expedients related to hedge accounting should be applied on an individual hedging relationship basis? If not, please explain why.

**Yes.** We agree that hedge accounting should be applied on an individual hedging relationship basis.

**Disclosures**

**Question 9—Contracts or Holdings:** What quantitative and qualitative disclosures should be provided to help users understand a reporting entity’s current contracts or holdings (as of the reporting date) that are affected by reference rate reform? For financial statement preparers, what costs would be incurred in providing these disclosures? For financial statement users, what alternative sources of information would be used if a reporting entity does not provide any quantitative and qualitative disclosures? What costs would be incurred to obtain quantitative and qualitative information to better understand a reporting entity’s exposure to reference rate reform? Should the quantitative
and qualitative disclosures, if any, have a termination date after December 31, 2022? If not, when should such disclosures expire and why?

As noted above in Question 1, we believe the disclosure requirements being considered, as specifically addressed in BC91, would pose operability and auditability issues, as well as substantial cost burden beyond that already contemplated.

Existing MD&A information provides financial statement users adequate information regarding interest rate sensitivity, including reference rate reform. We believe preparers will continue to react to the needs of its investors and users on the topic of rate reform. Introducing additional auditable disclosures will create an undue burden on financial statement preparers that outweighs the benefit provided to financial statement users as these items will be addressed within the MD&A disclosures.

**Question 10—Hedge Accounting:** What quantitative and qualitative disclosures should be provided to help users understand the financial reporting effects of expedients elected by a reporting entity? For financial statement preparers, what costs would be incurred in providing these disclosures? For financial statement users, what costs would be incurred if a reporting entity does not provide any quantitative and qualitative disclosures to help financial statement users understand the financial reporting effects of any hedge accounting expedients elected?

We believe existing disclosures of hedge accounting in current GAAP provide sufficient information requirements that would inform financial statement users throughout the application of the practical expedient option.

**Question 11—Transition:** Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?

Yes. We support the proposed transition disclosure requirements as addressed in BC88 of the Proposed Update.

**Transition and Termination Date**

**Question 12—Transition:** Do you agree that the proposed optional expedients should be applied on a prospective basis upon election? If not, what alternative do you suggest and why?

Yes. We agree that the prospective basis of transition should be applied.

**Question 13—Termination Date:** Do you agree that the proposed amendments should not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022? If not, when should the proposed amendments expire and why?

We understand the FASB’s basis for establishing an end date for this transition, but we request the FASB to incorporate a principle-based approach or an alternative to the defined sunset date provision to all successful transition from LIBOR. As the transition process continues to evolve, the proposed date may not provide sufficient time for all entities, jurisdictions, and interested parties to complete transition.