

Robert L. Morris
Executive Vice President
and Chief Accounting Officer

March 2, 2009

Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Proposed FSP FAS 107-b and APB 28-a



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## Dear Director:

We are writing in response to your invitation to comment on the Exposure Draft entitled, "Interim Disclosures about Fair Value of Financial Instruments."

KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at December 31, 2008, had assets of approximately \$105 billion. We appreciate the opportunity to comment on this Exposure Draft and support the Board's commitment to developing high-quality financial accounting standards and improving comparability of financial information while promoting international convergence of accounting standards. Key takes pride in providing detailed, timely and comprehensive financial information to the investment community, and supports standards and interpretations that clearly result in reliable and relevant information that can improve investor understanding and allow for more informed decisions. Therefore, this proposed guidance to require SFAS No. 107 disclosures on an interim and annual basis is of great interest to Key.

Key has the following three concerns regarding this proposed guidance.

- 1) Timing of exposing this guidance and the possible issuance of final guidance in March 2009 effective for 1<sup>st</sup> quarter 2009 does not allow sufficient implementation time for developing and supporting these disclosures;
- 2) Implementing this guidance will have significant cost consequences while providing little, if any, benefit to users; and,
- 3) Requiring held to maturity items on the balance sheet to be fair valued ignores management's intent and is contrary to an entity's going concern assertion.

## Inadequate Exposure and Implementation Timeframe

Exposure of this proposed guidance in February, a critical month in the Annual Report preparation process (particularly given the current economic turmoil), does not allow the preparer community adequate time to consider the ramifications of this proposal. In fact,

this timing probably resulted in many preparers not even reviewing or considering this proposed guidance and its impact.

Key is committed to providing users of financial statements with high quality financial information and related disclosures. The preparation of such financial information and disclosures requires adequate time to develop and properly review the underlying data elements as well as draft the related disclosure language so that the information provided to investors is transparent and informative. The timing of this proposed guidance and any final guidance that may result will not allow adequate time for the proper preparation and review of these required disclosures since some of these data elements require the involvement of a third party consultant.

Final guidance, if issued, would be effective for first quarter 2009 interim financial statements and would only provide a very limited timeframe for implementing the necessary internal processes to gather, and review the vast amounts of data required prior to providing this data to an external third party for determining the fair value of the various financial instruments. Additional review of the fair value information developed would also be required by company management, external auditors and other involved parties. Implementation of this fair value disclosure requirement in a constrained timeframe given the current economic environment has the potential to compromise the integrity of the information provided to the users of the financial statements.

Key recommends, at a minimum, that in the best interest of investors and Key's commitment to high quality financial reporting that the effective date of any final guidance be delayed to later in 2009 to allow adequate time for the proper preparation, development and integration of these new disclosure requirements.

## Costs far exceed Benefits of New Disclosure Requirements

Preparation of these SFAS No. 107 disclosures on an annual basis requires a substantial amount of internal resources to prepare and review the underlying data as well as the use of third party valuation consultants to develop the fair value of certain financial items particularly given the current disruptions in the credit markets and economy in general. Fees for the services provided by these third party providers can run into the hundreds of thousands of dollars. This is and will be a costly disclosure to prepare for many financial services institutions, which are already under resource constraints in the current economic environment. The cost of providing these SFAS No. 107 disclosures on an interim basis in terms of time and effort required by internal personnel as well as the use of outside consultants far outweighs any benefits provided.

If the FASB's intent with SFAS 107-a was to amend the current SFAS 107 disclosure to provide more useful information to users, then requiring the original disclosure on an interim basis is not the solution but rather a costly disclosure requirement for preparers that will provide little, if any, benefit to the users of financial statements. In addition, these disclosures will have even less relevance or benefit when the economy normalizes, however preparers will still be required to provide these costly disclosures.

## Disregard for Management's Intent

All but three (held to maturity loans, time deposits and long-term debt) of the fair values disclosed in Key's year end 2008 SFAS No. 107 disclosure were provided elsewhere in our Annual Report. Therefore, for these items, the SFAS No. 107 disclosure is redundant and does not provide any new information.

Requiring the determination and disclosure on an interim basis of the fair value of the three categories of financial instruments (held to maturity loans, time deposits and long-term debt) referenced above which are held to maturity completely disregards management's intent relating to these financial items and runs contrary to the going concern concept in the accounting/auditing guidance. Key has no intention of selling these financial instruments on the measurement date, therefore this disclosure information is not relevant and provides no beneficial information to the users of the financial statements. However, significant cost and effort will be expended to determine the fair value of these financial items not only on an annual basis but every quarter if this proposed guidance becomes final.

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In conclusion, Key appreciates the opportunity to comment on the Exposure Draft entitled, "Interim Disclosures about Fair Value of Financial Instruments" and requests that the FASB seriously consider the three issues (inadequate exposure and implementation time, costs far exceed benefits of new disclosure requirements, and disregard for management's intent) set forth in our above comments as this proposed guidance is re-deliberated.

We hope these comments are useful and positively influence any final guidance. We welcome the opportunity to discuss these issues in more detail. Please feel free to contact Chuck Maimbourg, Director of Accounting Policy & Research, at 216-689-4082 or me at 216-689-7841.

Sincerely,

Robert L. Morris

Executive Vice President and

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Chief Accounting Officer