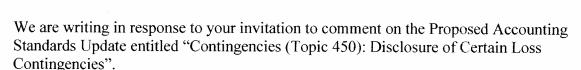
Robert L. Morris Executive Vice President & Chief Accounting Officer

September 17, 2010

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

Re: File Reference No. 1840-100

Dear Director:



KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at June 30, 2010, had assets of approximately \$94 billion. Key encourages and promotes disclosures that provide investors with information that is useful and relevant. These types of disclosures are extremely valuable to investors, employees and other users of financial information. Key supports the Board's goal of improving the transparency, timeliness and usefulness of financial information that is disclosed. The loss contingency disclosures Key currently provides in its interim and annual reporting to its investors and users of financial information demonstrate Key's focus on transparency and presenting facts and circumstances that are easily understood, relevant and, to the extent possible, quantifiable and detectable.

We appreciate the work of the FASB in considering the input received on this topic in June 2008 and the opportunity to comment on this proposed accounting guidance a second time. We urge the Board to consider the input provided in this letter and keep the existing accounting guidance related to the disclosure of loss contingencies intact. We support the Board's commitment to developing and retaining (as in this case - the existing guidance related to loss contingencies) high-quality financial accounting standards and improving the 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.

Key believes that the disclosure requirements addressed in this Proposed Accounting Standards Update will not provide relevant or useful information to investors, may lead investors to exaggerate the extent to which outcomes and losses can be predicted and will



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detract from the progress made in providing relevant and useful financial disclosure. Requiring companies to forecast the outcome of loss contingencies is unreasonable. These matters are inherently uncertain and extremely difficult, if not impossible, to quantify and to predict the timing and progression of these matters, particularly for remote loss contingencies. Similar to our concerns expressed on the initial exposure draft in June 2008, the following discussion sets forth Key's major concerns with this proposed accounting guidance. We have not provided suggestions for improvement of this proposed guidance since it is Key's position that the proposed guidance remains fundamentally flawed and will not result in providing investors with disclosures regarding loss contingencies that are relevant or useful.

# Disclosing Amount of Damages Claimed and Tabular Rollforward Not Useful

The proposed requirement to disclose the amount of damages claimed by the opposing party during the early stages of asserted litigation will not provide useful, relevant or reliable information for investors. Although some may consider the claim amount in a litigation matter to be fact, its disclosure may create among investors the expectation that there is substantially more risk than there is in reality since most if not all cases result in settlements or verdicts that are generally far less than the claim amount. This disclosure requirement may provide a sense of claim legitimacy and be used as a tool by opposing counsel throughout a proceeding and ultimately increase the cost of settling litigation.

The proposed requirement to provide a tabular rollforward may suggest a level of precision in the determined amount of particular contingencies that in many cases does not exist. It is Key's contention that providing this rollforward information conveys a level of certainty in the loss accruals that may or may not exist and may provide prejudicial information to the opposing party in the entity's legal matters.

### **Disclosing Remote Loss Contingencies Not Useful**

The proposal to disclose remote loss contingencies in a potential litigation matter will not provide useful or relevant information for investors. Its disclosure may create the expectation among investors that there is substantially more risk than there is in reality. The proposed remote loss disclosure requirement is inconsistent with GAAP and the requirement of such a disclosure when the event or circumstance is unlikely to impact an entity's financial resources is not useful or relevant to the investor and may be harmful to the disclosing entity. Requiring such a disclosure for a "remote" loss contingency is inconsistent with the definition of this term in the Codification which is "the chance of the future event or events occurring is slight." Such a loss contingency does not seem appropriate for disclosure particularly when considering it in the litigation context.

### Potential for Additional Preparer Entity Liability

If the disclosures prove to be inaccurate as a result of changes that occur in the course of the proceedings, such erroneous disclosures may be a source of additional liability for the entity providing such disclosures. Providing information that may be inaccurate or not meaningful would seem to be exactly the opposite of what the FASB intends in its efforts to promote improved financial disclosures.

# **Disclosures Based on Speculation**

The many additional disclosures that would be required to be made by companies related to their loss contingencies would not provide any relevant or useful information to investors for the reasons set forth above. Given the unpredictable course that a particular litigation matter can take, in many situations a preparer's estimates of possible liability could be outdated or irrelevant almost as soon as they are made. It is Key's contention that financial disclosures based on speculation, and any such disclosure in the case of litigation contingencies prior to the time that the outcome of the litigation matter becomes probable and reasonably estimable, would be misleading and serves no purpose other than to exacerbate the legal process and more likely than not disadvantage the defendant. The potential for negative reputation risk associated with the misleading and/or speculative financial disclosures this proposed guidance would require is not one that should be borne by preparers of financial statements. The existing guidance related to the disclosure of loss contingencies seems to allow for an appropriate balance of providing useful information for investors while not adversely impacting a company's legal position or reputation.

#### Consideration of Recoveries or Other Indemnifications

Key believes the possibility of recoveries from insurance or other indemnification arrangements, to the extent that they are probable and can be reasonably estimated, should be considered when assessing the materiality of loss contingencies to determine whether disclosure is required. If such offsets to the claim are not probable and cannot be reasonably estimated, then they should not be considered. Insurance and other forms of contribution from involved parties to the settlement or verdict in a legal matter are typically critical elements in the resolution of these matters and should be considered in evaluating these loss contingencies.

## **Existing Disclosure Guidance is Sufficient**

It is Key's position that the existing accounting guidance related to loss contingencies works well and is consistent with basic accounting concepts. The criteria for recognition of an estimated loss contingency shall be accrued by a charge to income if both of the following conditions are met:

- 1. It is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements
- 2. The amount of the loss can be reasonably estimated

The requirement that a contingency needs to be valued if it is probable and reasonably estimable makes sense and is in line with the preparer providing disclosures that are

relevant and useful to investors. The existing accounting guidance has several advantages including:

- (i) ease of application
- (ii) ability to support transparency in presenting facts and circumstances that are
  - (a) easily and currently understood by constituents and
  - (b) to the extent possible, quantifiable and detectable
- (iii) being cost effective,
- (iv) protecting the legal rights and strategies of the disclosing entity, and
- (v) being auditable.

The accounting guidance set forth in the Proposed Accounting Standards Update diminishes these advantages and is inconsistent with the basic tenet of the FASB standards of reliability, relevancy and consistency of financial reporting. We are deeply concerned that the proposed approach to loss contingencies would be a step backwards in the advancement toward achieving more transparent, timely and relevant financial information. The requirements of the proposed accounting guidance conflict with the Board's goal of improving the transparency, timeliness and usefulness of disclosed information and diminish the progress that the FASB has already made through its issuance of existing accounting guidance. Key believes that the existing loss contingency guidance represents a good, time-tested, well understood (i.e., transparent) standard and provides an appropriate and reasonable financial assessment including the protection of a company's legal rights and the needs of investors and other financial statement users for current meaningful financial information.

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

Sincerely,

Robert L. Morris

Executive Vice President & Chief Accounting Officer

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