

Robert L. Morris Executive Vice President & Chief Accounting Officer

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

Re: File Reference No. 2011-150

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Dear Director:

We are writing in response to your invitation to comment on the Supplementary Document entitled "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities – Impairment." The impairment model set forth in this Supplementary Document combines the approaches supported by the IASB and FASB Boards as developed through their deliberations on this topic.

KeyCorp (Key), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at December 31, 2010, had assets of approximately \$92 billion. We appreciate the opportunity to comment on this Supplementary Document and support the efforts of each Board in achieving a common approach and solution to accounting for impairment using one uniform model.

For Key, loans and investment securities represented approximately 55% and 24%, respectively, of total assets at December 31, 2010. On a combined basis, these receivables represented approximately 79% of Key's total assets at December 31, 2010. Due to the magnitude of these assets and their importance to our earnings, Key devotes a tremendous amount of time and resources to addressing the timing, measurement and recognition of credit losses as well as other than temporary impairment losses on investment securities. For investment securities, Key has applied the relevant accounting guidance for recognizing impairment losses. As to loans, Key has appropriately balanced the recognition of credit losses such that losses are not delayed or accelerated and have followed the basic accounting concept that losses should be recognized when they are probable and can be reasonably estimated.

Our general comments regarding this Supplementary Document are provided below.

General Comments

- The impairment model set forth in this Supplementary Document does not appear to be based on any established accounting theory. It seems to be a mix of approaches that when applied in practice may or may not achieve the objective of recognizing the appropriate amount of impairment losses on loans and other financial instruments at the right time. The time proportionate approach seems to be particularly problematic since it assumes that losses occur throughout the life of a loan or other financial instrument which is typically not the case. Actual experience has shown that losses generally decrease as financial instruments near maturity. Additionally, the impairment methodology proposed for the good book will be operationally complex since it will require two separate processes for calculating and then comparing the time proportionate and foreseeable future impairment losses.
- Key would be more supportive of a foreseeable future model for the good book loans with impairment being determined using a "more likely than not" threshold instead of the current "probable" threshold. Lowering the threshold for the recognition of impairment losses should result in potential impairment losses being recognized earlier. Based on our understanding, this change would assist the Boards in achieving their objective of more timely recognition of impairment losses.
- It is imperative that entities are able to consider historical, present and future information in determining the amount of impairment losses related to loans and other financial instruments and to timely recognize these losses. Key views the ability to consider as appropriate future information in the determination of impairment losses that is included in this proposal as a positive.
- Given the timing of the exposure period for this Supplementary Document and the other existing critical priorities during this time period, Key did not have adequate time to model and/or extensively test the operation of this proposed impairment model. Although not based on extensive testing, Key would assert that this model, particularly for the good book loans, is overly complex since it will require the calculation of both a time proportionate impairment loss as well as a foreseeable future impairment loss to then determine the higher of these two impairment amounts. This operational challenge will be heightened by the fact that for public companies, in particular, the time frame for completing these impairment loss determinations will be compressed given the quarterly reporting process. As noted previously, Key would be supportive of a foreseeable future methodology if the parameters of such an approach were appropriately defined.
- While Key is supportive of the development of a single impairment model, it is not clear how this model would be applied to closed portfolios, individual loans, debt securities and other assets with underlying cash flows.
- As set forth in our recent comment letter to the FASB on Troubled Debt
 Restructurings (TDRs), under this proposed impairment model detailed in the
 Supplementary Document as well as under the current model of accounting for
 impairment, distinct accounting for TDRs is unnecessary. Under this proposed
 impairment model, TDRs would be tracked as a component of the bad book

similar to the way these TDRs are currently tracked as a component of nonperforming loans. Loan modifications are adequately addressed in the existing credit quality disclosures and therefore the TDR distinction for investors and other users of the financial statements is not relevant.

Items Requiring Clarification

The proposed Supplementary Document is difficult to evaluate and raises numerous questions that should be more fully addressed if this accounting guidance is finalized. Clarification of the following issues would result in this accounting guidance being more appropriately applied in practice and allow for comparable financial results among similar entities. The following aspects of this proposed impairment model require clarification.

- Good book vs. bad book. Both of these concepts need to be better defined. Without additional clarification of this accounting guidance, it will be unlikely that this impairment model will be consistently and comparably applied by entities in the United States or around the globe. If it is unclear as to what loans would be included in the good book or the bad book, these definitions or clarifying guidance will be provided by other oversight or regulatory bodies in the U.S. and elsewhere which could result in a wide disparity in how this guidance will be applied in practice. This result would not seem to meet the Board's objective for establishing this impairment model.
- Additional clarification is necessary regarding how and when an asset can be transferred from the good book to the bad book or vice versa. Any final guidance should also address the impact on the allowance for loan and lease losses when a bad book loan is transferred to the good book and when a good book loan is transferred to the bad book. Appropriate principle-based parameters need to be provided in any final accounting guidance to ensure that there is some level of comparability of financial results for similar entities. Are there triggering events that would result in movement of loans from the good book to the bad book or vice versa or the resulting movement of the related allowance for loan and lease losses?
- The concept of foreseeable future should be further clarified. Are there loan characteristics or other distinguishing features that should be considered in determining the foreseeable future for various types of loans and debt instruments? In addition, is the foreseeable future considered for the total loan commitment amount or only the unpaid principal balance? Key would be supportive of defining the foreseeable future as a period of 18 to 24 months which would help to ensure some level of comparability in the application of this accounting guidance.

While the Boards strive to produce principle-based accounting guidance, it is imperative that appropriate parameters are provided for the application of the accounting guidance. Otherwise, there will be little, if any, comparability in the application of the particular

accounting guidance. Key continues to believe that accounting guidance should promote consistency in application and comparability across organizations.

Conclusion

The impairment model set forth in this Supplementary Document does not appear to be based on any established accounting theory and will be operationally difficult to apply in practice. Key would be supportive of an impairment approach based on foreseeable future that lowers the threshold for impairment recognition from "probable" to "more likely than not." The ability to consider future information as appropriate in determining impairment losses is a necessary element of the proposed model.

A proposed impairment model that may be applied to a significant percentage of an organization's balance sheet (79% in our case) requires a clear, disciplined, adequately defined and well thought out and well vetted approach. To ensure that the resulting impairment model produces the desired results and is operationally feasible, we would encourage the Boards to perform the robust field testing and modeling that will be required to ensure success.

We appreciate the opportunity to comment on this Supplementary Document and hope that our comments are helpful in developing the final accounting guidance that may result from this proposal.

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 &

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Chief Accounting Officer