



Comerica Incorporated

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VIA ELECTRONIC MAIL (director@fasb.org)

September 25th, 2012

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Attention: Ms. Susan Cosper, Technical Director

Re: File Reference No. 2012-200: Exposure Draft of Proposed Statement of Financial Accounting Standards – *Financial Instruments (Topic 825), Disclosures about Liquidity Risk and Interest Rate Risk*

Dear Ms. Cosper:

Comerica Incorporated (“Comerica” or “we”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “Board”) Exposure Draft of a Proposed Statement of Financial Accounting Standards - *Financial Instruments (Topic 825), Disclosures about Liquidity Risk and Interest Rate Risk*, dated June 27, 2012 (the “Exposure Draft”). Comerica is a financial services company headquartered in Dallas, Texas. As of June 30, 2012, we are among the 50 largest U.S banking companies with total assets of approximately \$63 billion, total deposits of approximately \$49 billion, total loans of approximately \$44 billion, and total shareholders’ equity of approximately \$7 billion.

Comerica supports the Board’s efforts in providing users of financial statements useful information to assess an entity’s preparedness to mitigate liquidity and interest rate risks. We appreciate the challenges faced by the Board in developing disclosure requirements that can be useful across industries for both public and non-public companies. We concur with the need to empower investors and other stakeholders with useful, uniform and meaningful information on which to evaluate entities. As a public company, we are mindful of the needs of our investors, and based on the questions we receive, we believe that investors seek primarily to understand information that will enable them to predict the earnings potential of a company, and therefore its value, and secondarily to understand the risks to which an entity may be exposed, which in turn may indirectly impact its earnings potential.

Specific Observations on Liquidity Risk Disclosures

The rapid nature of events that could impact liquidity can greatly limit the usefulness of even the best quantitative forecast of a maturing balance sheet. We believe that the focus of any liquidity disclosure should be to a lesser extent on presenting quantitative information. Rather, disclosures should place greater emphasis on providing meaningful, qualitative elements, such as a description of the process used to manage and monitor liquidity needs (including the nature of stress scenarios contemplated by the analysis),

Comerica Incorporated
Comments: File Reference No. 2012-200
September 25, 2012
Page 2 of 5

contingency planning and management's view regarding their ability to manage through a liquidity crisis. Disclosures should also address other matters that could impact liquidity, such as over-reliance on a particular source(s) of funding, significant mismatches in maturities (e.g., insufficient long-term stable source of funding), or pledged assets. All these matters could be incorporated into a comprehensive liquidity disclosure, which could also include what entities currently disclose regarding matters such as available funding sources, potential uses of funds, capital strength, credit ratings, etc.

From an investor standpoint, the interest in liquidity disclosures lies more in an institution's ability to withstand and manage through a liquidity crisis as opposed to a predictive impact on earnings. Misleading disclosures could either create systemic risks based on metrics that are confusing, or not appropriately portray risks that might exist. For example, the loan portfolios of predominantly commercial banks, such as Comerica, will have a higher proportion of commercial loans. Commercial loans typically have shorter maturities and are often subject to renewals. The proposed guidance is unclear regarding the treatment of expected renewals. Depending on how this is interpreted, the disclosures may incorrectly suggest elevated levels of liquidity. We therefore suggest that the current format of liquidity disclosures be reconsidered by the Board. If the Board chooses to proceed with the disclosures as currently proposed, we request that further clarification on the appropriate treatment of renewals be provided to ensure consistency among preparers. Detailed below are our observations on certain liquidity disclosures proposed by the Board.

Liquidity Gap Maturity Analysis

Static Balance Sheet

Under the Exposure Draft guidance, financial institutions would be required to prepare a table showing the institution's financial assets and liabilities segregated into time intervals by their expected maturity. The liquidity gap maturity analysis proposed by the Board assumes a static balance sheet. Most financial institutions do not place credence in such an analysis, because evaluating liquidity on the basis of a static balance provides an incomplete picture. For example, period-end balances may not be indicative of the average funding requirements during the period. In particular, funding volumes for commercial banks fluctuate on a daily basis. Additionally, a liquidity gap analysis based on a balance sheet at a point in time would also fail to capture the funding needs associated with future loan originations and renewals.

Expected Maturities

We agree that expected maturities generally provide a better picture of liquidity in a liquidity analysis. However, in developing expected maturities for financial institutions, the assumptions made pertaining to the implied maturity of deposits is a significant variable. For most financial institutions, this assumption is based on deposit studies that are expensive to update. Performance of such studies with any amount of frequency would be cost-prohibitive. Therefore, expected maturities may be based on studies conducted at different points in time, possibly adding a degree of staleness to the assumption and also will impact the comparability of the analyses between institutions. Additionally, despite the effort expended in performing studies, consumer behavior often defies historical trends and could be significantly different than expectations, diluting the value of the results of such analysis. Lastly, expected maturities for commercial loan assets are much more difficult to predict and will be based on entity-specific assumptions which may not reflect actual results.

Comerica Incorporated
Comments: File Reference No. 2012-200
September 25, 2012
Page 3 of 5

Specific Observations on Interest Rate Risk Disclosures

In our opinion, disclosures pertaining to interest rate risk are better addressed by means of an adequate sensitivity analysis, as opposed to a repricing gap analysis. This objective can be achieved by enforcing more uniformity in the application of existing Securities and Exchange Commission (“SEC”) guidance pertaining to interest rate risks.

Interest Rate Sensitivity Analysis

The proposed requirement is to report sensitivity results to net income and shareholder’s equity. We believe the requirement should be limited to reporting the impact to net interest income. The full impact from interest rate changes to net income would include estimating changes to other interrelated items, such as fee-based income as well as other ancillary categories. Such estimations introduce a higher level of complexity for preparers and users, requiring use of varying assumptions across reporting entities and will distort comparability of the financial statements.

In an effort to increase comparability, the proposed guidance also requires that the sensitivity analysis be performed on a static basis, preventing forecasting or strategy to be considered. We are concerned that the Exposure Draft requirements will result in a hypersensitive analysis, as an unintended consequence, for the sake of maintaining comparability. We further believe that the requirements to present parallel, flattening and steepening scenarios are not indicative of realistic changes to the interest rate environment, which would undermine the usefulness of the information presented. Ultimately, we are concerned that investors and other users of the financial statements may be misled, as a result of the information presented in accordance with the proposed guidance, into thinking that a financial institution is more (or less, as the case may be) sensitive to interest rates than it would be when evaluated by an analysis which incorporates a dynamic balance sheet with more realistic (progressive) interest rate shocks.

Repricing Gap Analysis

The Exposure Draft also would require presenting a repricing gap analysis based on static balances as of the reporting date and does not properly reflect the use of hedges to manage interest rate risk. We believe this type of analysis to be potentially incomplete in assessing an entity’s exposure to interest rate changes in both interest rates level and relationship among rates (e.g. 3-month treasuries and 3-month LIBOR). As an alternative the Board may consider requiring financial institutions to present an economic value of equity analysis which would leverage the fact that many financial institutions already perform such analysis. Additionally economic value of equity analyses may enhance the uniformity and comparability of disclosures pertaining to interest rate risk.

General Observations

We believe investors are most interested in information that is useful for predicting future earnings. While the proposed disclosures may be considered modestly helpful for assessing an entity’s vulnerability, they are not as valuable for forecasting earnings. Further, the Exposure Draft attempts to establish consistent and comparable disclosures on liquidity risk and interest rate risk, but in doing so it does not provide insight into the way management manages risks associated with liquidity and interest rates. By prescribing a standardized approach, the proposed guidance limits management’s ability to provide meaningful insight, could potentially be misleading and may result in confusion for readers of the financial statement by

Comerica Incorporated
Comments: File Reference No. 2012-200
September 25, 2012
Page 4 of 5

potentially requiring companies to present what may appear to be information which conflicts with current and/or future regulatory disclosure requirements.

Managing Risk Premise

The stated objective of the Board in developing the proposed guidance is “to provide users of the financial statements with decision-useful information about a reporting entity’s liquidity and interest rate risk.” We agree with this objective, however, we do not believe the Exposure Draft achieves it. The required disclosures should focus on information or methods commonly used among entities to manage the pertinent risks. Although in some cases the information requested may be available or could be compiled for presentation, the real question should be whether it is relevant. For example, for financial institutions, the proposed guidance requires preparers to present a liquidity gap maturity analysis and a repricing gap analysis. The banking industry has long moved away from such analyses because of such limitations as previously described. These disclosures therefore will not represent the manner in which management monitors and manages its risks. Our overarching concern is that users of the financial statements who may not be very well acquainted with our industry would be misled by the proposed disclosures in their evaluation and decision making process.

Standardized Approach

Another significant point of emphasis within the Exposure Draft is enhancing comparability among reporting entities of how liquidity and interest rate risk information is presented. In this regard, we would submit that comparability is achieved by compromising the relevance and integrity of the information being presented. Regulatory projects underway pertaining to Basel III and Section 165 of the Dodd–Frank Wall Street Reform and Consumer Protection Act exemplify the complexities of developing a “one-size-fits-all” set of rules by which to evaluate across institutions of different sizes and sophistication. We are concerned that, because the information will be presented in a prescribed format, users of financial statements will incorrectly assume that such disclosures achieve a high level of comparability among reporting entities, when in fact, the level of comparability is greatly compromised as a result of the underlying assumptions that preparers will be required to make (e.g. expected maturity).

Potential for Conflicting Information

In general, public entities provide a considerable amount of information on liquidity and interest rates within the Management’s Discussion and Analysis (“MD&A”) section of their financial statements. As required by the SEC, Comerica, like other financial institutions, discusses interest rate sensitivities within MD&A. These sensitivities are conducted under management’s assumptions different from those prescribed by the Exposure Draft. The presentation of two apparently similar, yet different interest rate sensitivity analyses may result in confusion for investors and other users of the financial statements. The banking sector also provides a considerable amount of quantitative data in regulatory reports. With regard to non-financial institutions, the proposed guidance requires disclosure of cash flow obligations, which resembles the requirements for a contractual obligations table under SEC Item 303(a)(5) of Regulation S-K. In reviewing the proposed guidance, we understand that the two requirements differ in matters such as the frequency of the disclosure, the time intervals presented, the maturities presented (expected versus contractual), the items included and the level of aggregation. Users of financial statements may find it difficult to identify or recognize such differences.

Comerica Incorporated
Comments: File Reference No. 2012-200
September 25, 2012
Page 5 of 5

Recommendations

The following recommendations would help mitigate some of our concerns previously discussed:

1. We would strongly recommend the Board give greater consideration to the inherent differences in the type of risks and the type of investor information that should be provided for liquidity versus interest rate. Regarding liquidity, we recommend disclosure be more qualitative in nature, describing an entity's process to manage and monitor risk. Conversely, a quantitative approach may be more suitable for disclosing an entity's exposure to interest rate risk.
2. As an enhancement to current disclosures, we recommend requiring that information regarding contractual maturities be consolidated in one disclosure. This information is currently dispersed throughout the footnotes based on the underlying financial instrument (*e.g.*, the contractual maturities of investment securities are presented separately from that of debt). Perhaps such an enhancement could help mitigate some of the concerns which prompted the perceived need for portions of the proposed guidance.
3. We would urge the Board to consider aligning its requirements with those encompassed by the forthcoming Basel III regulations. We believe such guidance, when finalized, would standardize the assumptions made around liquidity for financial instruments enabling firms to report liquidity metrics without compromising proprietary information.
4. We recommend the Board consider working in collaboration with the SEC to develop consistency between the requirements. We believe that the type of information requested by the Exposure Draft is better suited for qualitative disclosure within the MD&A.
5. Because non-public companies tend to be smaller and less complex, their disclosures should address the needs of their specific investor community. In the case of public companies, the MD&A is an established forum for management to provide extensive commentary on how the entity's risks are managed. Due to the differences in the needs and requirements of the two preparer groups, the Board should consider separate and distinct requirements for public and non-public companies.

We thank you for the opportunity to express our concerns regarding this proposal, and we respectfully request that the Board consider the points we have raised. Should you require further information or have any questions, please do not hesitate to contact me (telephone 214-462-6684; email address mescarr@comerica.com; facsimile no. 214-462-6810) or Mauricio Ortiz, Vice President - Accounting Policy (telephone 214-462-6757; email address maortiz@comerica.com; facsimile no. 214-462-6810).

Sincerely,



Muneera S. Carr
Senior Vice President and Chief Accounting Officer

cc: Karen Parkhill, Vice Chairman and Chief Financial Officer
Mauricio Ortiz, Vice President - Accounting Policy