



January 17, 2019

Technical Director
Financial Accounting Standards Board
File Reference No. 2018-300
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

**Re: *Proposed Accounting Standards Update, Codification Improvements – Financial Instruments*
(File Reference No. 2018-300)**

Dear Technical Director:

Regions Financial Corporation appreciates the opportunity to comment on the *Proposed Accounting Standards Update, Codification Improvements - Financial Instruments (Proposed Update)*. We support the Board's efforts to identify certain areas that require clarification and correction to the Accounting Standards.

Regions, with approximately \$126 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 1,450 banking outlets.

Overall, we support the proposed amendments and codification improvements included in this Proposed Update and appreciate the Board's efforts to focus on topics specifically impacting the financial industry. Additionally, we have provided feedback regarding certain questions in Topics 3 & 4 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.

We 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,

A handwritten signature in black ink that reads "Brad Kimbrough".

Brad Kimbrough
Controller and Chief Accounting Officer

Appendix - Responses to Selected Questions for Respondents

Topic 3: Codification Improvements to Update 2017-12 and Other Hedging Items

Question 14: Do the proposed amendments clarify the guidance in Topic 815? If not, please explain which proposed amendment(s) you disagree with and why.

Question 15: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the proposed Codification improvements related to (a) the change in hedged risk guidance for cash flow hedges discussed at the March 28, 2018 Board meeting and (b) use of the word *prepayable* in the shortcut method guidance discussed at the February 14, 2018 Board meeting will be included in a future proposed Update.

Yes. We believe that the amendments in the Proposed Update represent improvements to ASU 2017-12 (Topic 815). Specifically regarding certain aspects identified below:

Issue 3A: Partial-term Fair Value Hedges of Interest Rate Risk - Clarifying that one or more separately designated partial-term fair value hedging relationship of a single financial instrument can be outstanding at the same time will allow greater flexibility in interest rate risk management. For example, hedges of consecutive interest cash flows in Years 1-3 and Years 5-7 of a 10-year debt instrument outstanding at the same time further aligns fair value hedging strategies with existing cash flows strategy concepts. Furthermore, we support this flexibility for outstanding hedge relationships that are not partial-term.

Issue 3B: Amortization of Fair Value Hedge Basis Adjustments - Allowing an entity to amortize fair value hedge basis adjustments before the hedge relationship is discontinued and require partial-term hedge basis adjustments be fully amortized by the hedged item's assumed maturity date, if elected, clarifies existing guidance and the intent of ASU 2017-12. We support the flexibility in determining hedge basis adjustment amortization during the hedging relationship.

Question 17: Should partial-term fair value hedging be expanded to all risks eligible for hedge accounting?

Yes. We support the application of partial-term hedging of both interest rate risk and foreign exchange risk.

Question 18: Do you agree with the specific considerations for transition and the effective date for the proposed amendments to Topic 815? Please explain why or why not.

Yes. We agree with transition considerations and the effective date for the proposed amendments to Topic 815. Specifically, we support rebalancing approaches including any combination of increasing or decreasing hedging instruments or hedging items without dedesignating the hedging relationship. Additionally, we support a transition from a quantitative method of hedge effectiveness assessment to a method comparing the hedging relationship's critical terms in accordance with paragraph 815-20-25-84 through 25-85 without dedesignating the existing hedging relationship. In practice, we believe differences in interpretation were applied on the adoption of ASU 2017-12.

We also support the ability to reclassify debt securities from held-to-maturity to available-for-sale if the debt security is eligible to be hedged under last of layer guidance if not reclassified upon the adoption of ASU 2017-12.

Question 19: Should the proposed amendments to Topic 815 be effective as of the earlier of the beginning of the first quarterly period (if applicable) or the first annual period after the issuance date of a final Update? Would this provide entities with sufficient time to implement these amendments?

We believe the proposed amendments to Topic 815 should be effective the earlier of the beginning of the first quarterly period (if applicable) or the first annual period after the issuance date of a final Update with early adoption permitted. We also believe this would provide entities with sufficient time to implement these amendments.

Topic 4: Codification Improvements to Update 2016-01

Question 21: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification improvements to projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvement project.

Measurement alternative and observable transactions

Entities applying the measurement alternative in Topic 321 are required to adjust the carrying value to fair value when 'made aware' of an observable transaction of similar investments. 'Reasonable efforts' are made to identify such transactions. In theory, we agree with the efforts to improve equity investments without a readily determinable market value. Applying these principles in practice however, has proven to be difficult. Confidentiality regarding transaction specifics and the availability to obtain sufficient information and evidence supporting observable transactions that we are made aware of is not always achievable. These circumstances often carry a cost and operational burden that management must evaluate on a transactional basis. We suggest the Board continue to focus on improvements that can be made to the measurement alternative to create a more consistent application of this guidance.