



July 2, 2010

KeyCorp
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Cleveland, OH 44114-1306

VIA ELECTRONIC MAIL-Comments@FDIC.gov

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Comment-RIN# 3064-AD57
Proposed Rule-Assessments, 12 C.F.R. Part 327

Dear Mr. Feldman:

KeyCorp, Cleveland, Ohio ("Key") appreciates the opportunity to comment on the Proposed Rule issued on April 13, 2010, by the Federal Deposit Insurance Corporation ("FDIC") regarding assessments. The proposed rule would revise the risk-based assessment system for all large insured depository institutions and alter the initial and total base assessment rates for all insured depository institutions.

Key is one of the nation's largest bank-based financial services companies, with assets of \$95 billion. Key companies provide investment management, retail and commercial banking, consumer finance, and investment banking products and services to individuals and companies throughout the United States and, for certain businesses, internationally. Key's businesses deliver their products and services through 1007 branches and additional offices; a network of 1,495 ATMs; telephone banking centers (1.800.KEY2YOU); and a Web site, <https://www.key.com/> ®, that provides account access and financial products 24 hours a day.

To begin, we note that we share the views expressed in The Financial Services Roundtable's comment letter and the contention that the Proposed Rule has many complexities some of which limit its ability to be fairly and consistently applied among financial institutions that share similar risk profiles. Furthermore, the many assessment factors, weights and cutoffs used reflect an analysis emphasizing the period of 2005 to 2009. The following provides specific examples of

instances where we believe that modifications in the assessment criteria should be made to allow for certain historically recognized markers of a sensible risk and liquidity profile.

Liquid Assets/Short-term Liabilities

The calculation of the liquidity coverage ratio includes U.S. Treasuries and U.S. Government Agency obligations as liquid assets but excludes other residential mortgage-backed securities issued or guaranteed by the GSEs (i.e. FNMA and FHLMC) or GNMA. These assets, also referred to as Agency MBS and Agency CMO securities, carry the same risk weighting, 0% or 20%, as the Treasuries and Agency obligations and offer comparable liquidity. The Agency Mortgage-Backed Securities (MBS) market is one of the largest and most liquid segments in all bond markets worldwide. Trading volumes in the Agency MBS/CMO markets exceed that of US Treasuries and are many times larger than the Agency debenture markets. Beyond the market size and depth, the inherent cash flow nature of the MBS/CMO securities provides an additional form of liquidity that financial institutions benefit from.

Agency MBS/CMO comprise a very significant portion of the balance sheets of the US banking system as they are viewed as being very safe and liquid. As such, KeyBank includes these assets in its unencumbered liquid asset portfolio. The FDIC's liquidation efforts with any failed bank would seem to be aided by the salability, liquidity, and safety of these Agency MBS/CMO assets. We strongly believe that other residential mortgage-backed securities issued or guaranteed by Government Agencies should be included as liquid assets for assessment calculation purposes.

Performance Score/Loss Severity Adjustment

The proposed assessment methodology includes a provision that allows the FDIC to adjust the performance score and the loss severity score by up to 15 points each, up or down, for other significant risk factors as determined by the FDIC. Based on the proposed formula and where an institution falls on the point scale, this adjustment capacity could result in an adjustment of up to 58 basis points in the final assessment rate. Contrast this with the current maximum adjustment of one basis point to the assessment rate for other factors. We recognize that the proposed assessment calculation is to be based upon multiple risk factors. Adding a potentially significant

judgmental factor could result in a qualitative factor overriding quantitative factors.

Accordingly, we question whether the ability to discretionarily impact the final assessment rate is necessary. If such a factor is deemed to be warranted, we suggest a maximum adjustment of 2 to 3 basis points should be implemented.

Unfunded Commitments/Total Assets

In the proposed Unfunded Commitment/Total Assets calculation, all unfunded commitments are equally weighted regardless of the line's purpose or collateral. Lines of credit secured by 1-4 family residential properties, i.e. home equity lines, are less volatile than commercial lines of credit during adverse economic conditions. We recommend more granularity be applied to the calculation and that unfunded loan commitments secured by 1-4 family residential properties receive a reduced weighting consistent with the risk level that they present.

Deposit Insurance Increase

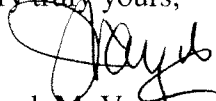
Certain components in the calculation utilize CD balances with a break point of \$100,000 in the calculation. With the increase in FDIC insurance to \$250,000, we recommend increasing the break point in the reporting, and hence the calculation, from \$100,000 to \$250,000. While this will require changes to the Consolidated Reports of Condition, this will afford the assessment to more accurately reflect the true liquidity risk and nature of the deposits.

Other Comments

Key reiterates its support of the Financial Services Roundtable's comment letter.

In conclusion, Key appreciates the opportunity to comment on the proposed rule and hopes these comments are useful and positively influence the final regulation. We welcome the opportunity to discuss these issues in more detail. Please feel free to contact William Schlag, Senior Vice President, Corporate Treasury, at 216-689-4682 or the undersigned at 216-689-3625.

Very truly yours,



Joseph M. Vayda
Executive Vice President and Treasurer