REGIONS

February 18, 2010

Via electronic delivery

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
Attn: Comments
550 17th Street, NW
Washington, DC 20429

Re: RIN # 3064-AD56: Advanced Notice of Proposed Rulemaking: Incorporating Employee Compensation Criteria into the Risk Assessment System.

Dear Mr. Feldman:

Regions Financial Corporation[1] respectfully submits these comments in response to the Federal Deposit Insurance Corporation's (FDIC) Advanced Notice of Proposed Rulemaking to Incorporate Employee Compensation Criteria into the Risk Assessment System (ANPR). The ANPR would require institutions to incorporate prescribed features into their compensation practices or be subject to higher assessments, and restrict compensation decisions to a committee of independent directors. The proposal also requires that a significant portion of compensation would be paid in restricted, non-discounted stock with a multi-year vesting period and be subject to a claw-back mechanism.

Regions supports compensation practices that link associates' interests with long-term institutional stability; nonetheless, the ANPR's approach is overly formulaic and strays too far outside the FDIC's traditional mandate. The FDIC's proposal, moreover, lacks data that shows a causal relationship between compensation and risk of loss to the Deposit Insurance Fund (DIF). Regions opposes the ANPR—and its attempt to tie compensation practices to premiums—because it is a one-size fits all approach that lacks coordination with efforts of other regulators, in particular the Federal Reserve Board.

[1] Regions Financial Corporation, with $140 billion in assets, is a member of the S&P 100 Index and one of the nation's largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates approximately 1,900 banking offices and 2,300 ATMs. Its investment and securities brokerage trust and asset management division, Morgan Keegan & Company Inc., provides services from over 300 offices. Additional information about Regions and its full line of products and services can be found at www.regions.com.

Regions believes coordination among federal regulators is essential to a safe and sound financial system. The FDIC issued its ANPR ahead of compensation regulations under consideration by the Federal Reserve Board. By the nature of the ANPR proposal, it does not appear that the FDIC tried to consult with other federal and state stakeholders. The lack of consultation with other federal regulators is contrary to the statutory language governing the risk-based premium system. The governing statute—12 U.S.C. section 1817—requires the FDIC to consult with other federal regulators when the FDIC is determining "the risk of loss to the Deposit Insurance Fund" posed by an insured depository institution.[2] It is crucial that the FDIC consult and coordinate with other federal regulators, particularly in light of the recent and forthcoming compensation regulations from the Securities and Exchange Commission and the Federal Reserve Board.[3] In addition, the FDIC's legislative authority restricts the FDIC's reach to insured depository institutions. As such, we believe the Federal Reserve Board is better positioned to regulate and collect information on risk management and compensation from a wider range of firms.

While it is clear that there may be new rules governing compensation, the FDIC does not demonstrate a link between compensation practices and an increase to the risk of loss to the DIF. In fact, the FDIC reports that compensation was not a factor in two-thirds of the bank failures in 2009. Nor does the FDIC show that is was a significant factor in the other failures. The FDIC could address other factors if it wants to limit excessive risk-taking that could impact the DIF.

Finally, a single prescription will eliminate the flexibility needed to tailor risk management and compensation to each institution's individual needs. Any rules designed to address the risk of loss to the DIF should consider overall risk management strategies. Given the breadth and complexity of the industry, any guidance should be as flexible as prudently possible to allow a firm to craft a solution that best fits its institution. Compensation should not be an independent factor in FDIC premium assessments. Such a narrow focus on compensation as an indicator of long-term stability ignores the larger picture of an institution's overall risk-management procedures, which if properly installed and implemented, would prevent a compensation practice from directly causing a loss.

Regions appreciates the opportunity to comment on the ANPR. If you have additional questions, please contact me at (205) 264-5521.

Sincerely,

Chris Scribner
Vice President, Public Policy

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[2] 12 U.S.C. 1817(b)(1)(E)(i)(I) states: "In general, Except as provided in subclause (II), in assessing the risk of loss to the Deposit Insurance Fund with respect to any insured depository institution, the Corporation shall consult with the appropriate Federal banking agency of such institution." Subclause II allows the FDIC to consult with other regulators on an aggregate basis when assessing the risk of loss posed by well-managed and well capitalized institutions.

[3] The Securities and Exchange Commission issued a final rule on shareholder "say on pay" on January 12, 2010. Federal Reserve Board Docket OP-1374 Proposed Guidance on Sound Compensation Policies.