



*Via Electronic Mail*

Chief Counsel's Office  
Attn: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street, SW, Suite 3E-218  
Washington, DC 20219

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20249

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

May 15, 2020

**Re: Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances (Docket OCC-2020-0010; FRB Docket No. R-1708)**

Ladies and Gentlemen:

Regions Bank<sup>1</sup> appreciates the opportunity to comment on the Interim Final Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances (IFR). We appreciate that the IFR recognizes that the adoption of Accounting Standards Update (ASU) 2016-13, *Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL) has significant implications for bank capital. While we appreciate the agencies' initiative to delay a portion of the regulatory capital impact of CECL for two years and then phase-in that impact into regulatory capital over three years, we do not believe the amount of capital allowed to be delayed is substantial enough, especially in times of financial stress and in an economic downturn, such as the current economic environment driven by the COVID-19 pandemic in the first quarter of CECL adoption for many of the nation's largest financial institutions.

Regions and other financial institutions have shared their concerns with the CECL impact to regulatory capital, especially in times of an economic downturn, for years. In our May 30, 2013 letter to the FASB commenting on the exposed CECL standard, we stressed that this standard "would have significant consequences regarding regulatory capital". In addition, Regions has been involved in numerous discussions with the Agencies to discuss the

---

<sup>1</sup> Regions Financial Corporation, with \$133 billion in assets, is one of that nation's largest full-service providers of 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. Regions serves customers across the South, Midwest, and Texas, and through its subsidiary, Regions Bank, and Alabama state-chartered commercial bank that is a member of the Federal Reserve system. At March 31, 2020, Regions operated 1,427 total branch outlets. Additional information about Regions and its full line of products and services can be found at [www.regions.com](http://www.regions.com).

relationship between CECL and regulatory capital. While these discussions considered multiple methods to address this issue, discussions primarily requested an impact study to consider the impact of CECL on regulatory capital especially in economic downturns, so capital adjustments could be implemented by the Agencies in order to minimize increased procyclicality, volatility and exacerbated negative impacts on the economy. While financial institutions were concerned with these issues, especially considering the potential for a long economic recovery in the years after CECL adoption, the significant economic downturn of COVID-19 during the first quarter of CECL adoption could not have been anticipated.

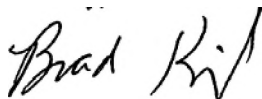
***IFR add back of 25% of the difference between the “day one” CECL and period-end CECL***

The IFR allows an add back of 25% of the difference between the “day one” CECL allowance and the end-of-period CECL allowance into regulatory capital for the two years preceding the phase-in (the total transition period being five years). The IFR indicates this 25% scaling multiplier is largely based on the median after-tax incremental allowances that larger banks had announced in public disclosures prior to the CECL effective date. While the 25% may or may not be the average estimated incremental allowance for the adoption of CECL, these estimates were considered in a benign environment and not in the rapidly declining environment as the result of COVID-19 in the first quarter of CECL implementation.

The December 2019 Appropriations package mandates that the Department of Treasury conduct a study on the need for changes to regulatory capital requirements necessitated by CECL. We encourage the Agencies to use this study as a basis to assess the appropriateness of the 25% scaling multiplier for all product types within the five year transition period. Longer term, we encourage the Agencies to consider how regulatory capital requirements can be adjusted to ensure a safe banking system for all borrowers. Therefore, until a longer-term solution is determined, we believe a 100% add-back of incremental CECL allowances into CET1 regulatory capital (as opposed to the 25%) should be allowed.

We thank you in advance for considering our views. If you have any questions about our comments or wish to discuss these matters further, please contact me at (205) 326-4972.

Sincerely,

A handwritten signature in black ink that reads "Brad Kimbrough". The signature is written in a cursive, slightly slanted style.

Brad Kimbrough  
Executive Vice President and Controller