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REGIONS

April 16, 2010

Basel Committee on Banking Supervision
Bank for International Settlements
Attn: Secretariat
CH – 4002
Basel, Switzerland

**RE: Consultative Document: International framework for liquidity risk measurement, standards and monitoring**

Ladies and Gentlemen:

Regions has reviewed the items associated with the latest proposal for liquidity risk measurement, standards and monitoring. While Regions certainly acknowledges that the logic behind increased liquidity coverage in the banking industry makes sense, and that developing tools to monitor those coverage levels is vital as well, there are a few components of the proposal that we would like to be reconsidered.

**FHLB Advances**

The current proposal does not consider available borrowing capacity from the FHLB to be a stable source of funding under the Liquidity Coverage Ratio. FHLB advances have proven to be a steady and frequently used funding tool by U.S. banks of all sizes for many years. Advances are secured by collateral pledged to the FHLB, typically loans or securities, making these credit lines much more reliable than those from private financial counterparties. This transaction type is similar to available advances from the Fed's Discount Window, the exception being that FHLB advances are not considered a borrowing "of last resort" as are borrowings from the Discount Window. Many U.S. banks, including Regions, view FHLB advances as a strong and viable every day funding tool and part of a diversified funding and liquidity plan. As such, we believe that FHLB borrowing availability should be included as a funding source under the Liquidity Coverage Ratio.

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**Deposit Run-off**

The proposal makes significant deposit run-off assumptions in a stress scenario which, while logical at first glance, are not supported by historical data. To the contrary, Regions has experienced customer deposit growth of approximately 17% since the current economic crisis reached its peak in September, 2008. While many investment options for customers have been in turmoil during this time, the banking system and the FDIC insurance that covers those deposits are viewed as a safer option by many customers in the United States. Even banks that have failed in recent years experienced minimal deposit run-off as the FDIC insurance was viewed to have guarded those deposits. That level of comfort was expanded with the FDIC's TAG program, extending insurance coverage to all non-interest bearing deposits.

Even absent that program, many customers have taken to spreading their deposits around to multiple banks to take advantage of the insurance coverage allowed at each institution which keeps deposits from leaving the banking system. According to the FDIC's website, the deposits of all FDIC insured institutions increased $534 billion from June, 2008 to June, 2009 which further emphasizes this point. The runoff experienced by each financial institution will be impacted by macro-economic conditions of their host countries, including the perceived stability of their government, the size of their economy, the extent of bank supervision, and the strength of any deposit insurance. Therefore, while we agree with the need to factor in some level of deposit run-off in a stress scenario, it is critical to base those assumptions on the historical data specific to each country.

**U.S. Agency MBS Securities**

The proposal excludes U.S. Agency and U.S. Agency MBS securities from the Liquid Assets portion of the Liquidity Coverage Ratio. The agency market has remained strong and liquid throughout the crisis. Market confidence in these types of securities are further strengthened by the U.S. government's majority ownership of these agencies. Additionally, the Fed conducts open market operations with these types of securities included as qualifying assets. These securities are also accepted as collateral by both the Fed Discount Window and the FHLB, are accepted as collateral by public entities against public funds deposits, can be used for institutional and customer repo, and are acceptable for pledging against Trust deposits. All of those uses make that security type an extremely versatile funding tool. As a result of the overall market acceptance of these instruments, we believe they should count as a Liquid Asset similar to the acceptance of U.S. Treasuries.

We thank you for the opportunity to comment and for your consideration of these issues.

Sincerely,

David J. Turner, Jr.