

March 29, 2012

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

**RE: Docket No. 1438 and RIN 7100-AD-86
Enhanced Prudential Standards and Early Remediation Requirements
for Covered Companies**

Dear Ms. Johnson:

First National of Nebraska, Inc. ("FNN") appreciates the opportunity to comment on this proposed rulemaking.

First National of Nebraska ("FNN") is a closely held, non-listed financial services holding company with total assets of approximately \$15 billion based in Omaha, Nebraska, with community banking operations in Nebraska, Colorado, Illinois, Kansas, South Dakota, Iowa and Texas. It has credit card issuing operations on a nationwide basis with outstanding balances of \$4 billion and is an active issuer of debit products.

First National's primary operating unit is First National Bank of Omaha, a nationally chartered bank also based in Omaha, Nebraska. It has five other banking charters as wholly owned subsidiaries based in Nebraska and South Dakota, four national charters, and one Nebraska State Chartered institution.

We would like to make the following comments in respect of the proposed rule.

General Commentary:

We believe that the implementation of the rule(s) should be delayed to permit further review of the associated impacts. The current timeline is discriminatory against the midsized banks who have not been through this process before. It is our understanding that the largest banks in the nation went through this process several times before arriving at a process deemed acceptable and then were subjected to a significantly less rigorous public disclosure regime. The lessons learned in this process are not necessarily transferable to the banks subject to this proposal; and, therefore, significant time and attention, discussion, and targeted negotiation should be permitted before anything final is delivered. It is our suggestion that there should be a dry-run of the final agreed upon process without any public disclosure, prior to any disclosure.

Given that the majority of new banks being subject to this rule(s) would not be considered systemically important and assuming that public disclosure is deemed inevitable, would not a simple pass/fail disclosure be adequate and in the public interest?

We believe that the rule(s) underestimates the time and complexity of the endeavor being requested and would note that the banks subject to the initial tests had been involved in Basel I and II for many years and, to a certain extent, were prepared for the data generation rigors of the original testing. This is not true of the mid-tier bank group.

We believe that coordination between the Federal Reserve and OCC is essential to create a single process and standards for this endeavor.

Specific Commentary:

Section 165(i)(2): *The Board recognizes that certain parent company structures of covered companies and over \$10 billion companies may include one or more subsidiary banks, each with total consolidated assets greater than \$10 billion. The company-run stress test requirements of Section 165(i)(2) would apply to the parent company and to each subsidiary regulated by a primary federal financial regulatory agency that has more than \$10 billion in total consolidated assets. To minimize any undue burden associated with multiple entities within one parent structure having to meet the proposed rule's requirements, the Board intends to coordinate with the other federal financial regulatory agencies, as appropriate.*

We applaud the Board's plans for coordination with the other federal agencies in this matter. We would stress that lack of coordination magnifies the cost and disruptive nature of this project and would be seen as adding to the confusion evident in the public's minds as it tries to assess what the results of these stress tests means to them in their interaction with banks in general, specific banks, or the economy as a whole. We believe that it is essential that a financial institution should be required to conduct a stress test only once, and that the stress test be at its highest organizational level to avoid duplication of effort and confusion to the market and customer base. This approach is totally feasible if the regulatory agencies agree to work together on this project.

Question 74: *What alternative to the public disclosure requirements of the proposed rule should the Board consider? What are the potential consequences of the proposed public disclosures of the company-run stress test results?*

It is difficult to assess the benefits of public disclosure of these stress tests in any way as the concept seems to force the regulatory agencies to delegate their accountability for the safety and soundness of the banking system to the court of public opinion. The statutory requirements for disclosure are vague and should be met with the least level of detail possible and in a way that is consistent with historic precedent for the regulation of financial institutions and the maintenance of consumer confidence in the system. Significant review should be made of any proposed disclosures that could be misleading to the public or "over or under" emphasis on strength or weakness in any institution or group of institutions.

Question 75: *Is the proposed timing of stress testing appropriate, and why? If not, what alternatives would be more appropriate? What, if any, specific challenges exist with respect to the proposed steps and timeframes? What specific alternatives exist to address these challenges that still allow the Board to meet its statutory requirements? Please comment on the use of the "as of" date of September 30 (and March 31 for additional stress tests), the January 5 reporting date (and July 5 for additional stress test) the publication date, and the sufficiency of time for completion of the stress tests.*

Particularly not, but it depends on the stress methodology and process that has already been developed by the banks.

It depends on the type of stress test model built, whether it is a "Top Down" or "Bottoms Up" model.

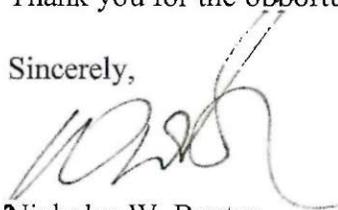
This depends on the stress test model used. If banks are using "Bottoms Up" models, then basically they are doing an aggregate sensitivity model that aggregates borrowers' financial performance to applied stress factors. Typically, this is done around the time borrowers provide year-end numbers to stress. One feasible solution would be to allow the stress test results, that could be executed earlier in the year, to be applied to September 30th projections of losses, revenues, capital impact, etc., for the "look forward" planning purpose.

In addition, without knowing the output format the OCC would provide, some institutions might have to completely redesign their stress testing models. If models end up requiring manual data aggregation to complete a stress test, then timing would be a concern. Allow banks to conduct their stress test any time from the first of the year until September 30th, and then allow them to use those findings for the stress test results at the end of the year.

September 30 "as of" date for data is dependent upon a bank's stress testing model. If a "Top Down" model is utilized, then a September 30th date may be appropriate; if a "Bottoms Up" model is used, then it is likely that the September 30th numbers are more disconnected from the general timeframe of the stress test. Time sufficiency is difficult to estimate based on lack of formal scenario output formats from the OCC at this point.

Thank you for the opportunity to comment on the proposed rule(s).

Sincerely,



Nicholas W. Baxter
Senior Vice President

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