FIRSTMERIT. Bank

3 Cascade Plaza
Akron, Ohio 44308-1103
(330) 996-6300

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Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
Attention: Robert deV. Frierson, Secretary

Re: Comments on proposed FR 2052b liquidity reporting template

Ladies and Gentlemen:

FirstMerit Corporation is a diversified financial services company headquartered in Akron, Ohio, with assets of approximately $24.1 billion as of September 30, 2013, and 412 banking offices and 440 ATM locations in Ohio, Michigan, Wisconsin, Illinois and Pennsylvania. We appreciate the opportunity to comment on the proposed liquidity reporting template, FR 2052b, and hope our comments provide useful insight for the final rulemaking.

Section 4: Loans and Leases
This section requires the book value reported for loans and leases pledged to the Federal Reserve Discount Window and the Federal Home Loan Bank. Institutions with large acquired portfolios may have difficulty segregating the book value of specific pledged loans and segregating those amounts from unpledged loans. Acquisition accounting (FAS 91 and SOP 3-3) requires institutions to value acquired loans based on a set of assumptions often applied to a pool of loans. Exception reporting to the Federal Reserve and FHLB are performed on a loan-by-loan basis according to each entity's program requirements. Some institutions may have difficulty reporting the exact book value of pledged loans if marks against the loans were determined at the pooled level. Often, what is reported for pledging purposes is the unpaid principal balance of pledged loans and we suggest doing the same in the FR 2052b in lieu of book value if the book value cannot be readily determined. This would have the added benefit of allowing institutions to leverage their existing reporting process and save implementation resources.

Section 6: Repurchase Transactions
We suggest that this section segregate repurchase transactions that are part of a customer relationship where deposit balances in excess of customer needs are swept into a repurchase transaction. This customer repo sweeps should be reported on a separate line. This would distinguish between wholesale repurchase agreements initiated by a bank

with a large counterparty to meet overall funding needs and repurchase agreements that arise from the ordinary course of business through customer needs.

Section 10: Deposit Balances
Institutions between $10 and $50 billion would be substantially burdened by the requirement to report the Basel III deposit classifications distinguishing between retail/SME and wholesale deposits. Smaller institutions do not segment deposit data in this manner and often do not have a particular business segment in which customers can be readily identifiable as a "retail exposure" for Basel III LCR purposes. Additionally, the requirement to identify stable versus less stable deposits may involve data not be widely available at institutions of this size. This distinction requires specific and reliable information regarding customer householding and relationships. While some of this data is available at many institutions for marketing and other business purposes, consistent, reliable, and auditable data for reporting purposes would be much more difficult. We suggest further guidance on defining deposit segmentation and flexibility to allow institutions to categorize deposits based on either existing line of business segmentation and/or existing data at the particular institution.

Section 12: Undrawn Commitments
The undrawn commitment categories, similar to the proposed Basel III LCR rules, make a distinction between undrawn credit facilities and undrawn liquidity facilities. These are not mutually exclusive product categories provided to clients. That is, a line of credit may be used as a "back-stop" for commercial paper or other short-term financing; however, it may also be available for general financing needs. Unless the loan documents specifically indicate the intended use of a particular line of credit, it may be nearly impossible to distinguish between the categories. It is unlikely that many institutions specifically track this classification, and doing so would be a substantial burden. In fact, this requirement, coupled with the Section 10 classification of deposit balances, would be a similar implementation burden as the proposed Modified Liquidity Coverage Ratio intended for domestic institutions over $50 billion in consolidated assets. As with the deposit segmentation, we suggest further guidance on undrawn commitment segmentation and flexibility allowing institutions to categorize commitments based on either existing line of business segmentation and/or existing data at the particular institution.

Section 21: Unsecured Funding
The proposal states that this section should reflect market rates for secured and unsecured funding across the maturity spectrum. Since institutions of our size do not continually execute borrowings of varying maturities, market pricing information may be unavailable. The instructions further state that if market information is unavailable, the entity may use its internal funding curve. The instructions seem to be comingling various funding sources that may be substantially different (secured vs. unsecured, customer vs. wholesale, internal funding curve vs. external funding curve). To ensure consistency, we recommend this section ask for indications for unsecured wholesale term debt transactions only. Additional clarification would be needed to ensure consistency. Our specific suggestions are below.

- The measures provided in the proposal are not point-in-time (e.g. 3 month funding and 6 months funding are different rates, but are in the same column). We suggest that the report require a single point on the funding curve in each column.
- Should we provide the all-in cost or a spread over treasury yields? A spread over treasury rates may be more telling of a bank's actual liquidity/credit position.
- What is the assumed issuance size? The cost may vary depending on issuance size. For institutions above $10 billion, a standard issuance of $100mm to $250mm seems reasonable.

We appreciate the opportunity to comments on the proposed rule and hope these comments are helpful in your efforts to enhance liquidity risk management practices in the industry.

Sincerely,

Eric J. Pace
Vice President & Liquidity Manager
FirstMerit Bank