BOK FINANCIAL

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November 18, 2013

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:

BOK Financial is a $27 billion full-service commercial banking organization with branches serving Oklahoma, Texas, New Mexico, Arizona, Colorado, Kansas, and Arkansas. We appreciate the opportunity to provide comments on the proposed liquidity reporting templates and hope our comments will support an efficient and effective process.

Section 4 Loans and Leases

This section does not appear to include a reporting requirement for loan amounts which are eligible to be pledged to the FHLB or Federal Reserve, but have not been pledged (and are not able to be classified as eligible for repo, sale, or securitization). This population of loans represents a liquidity source which would be accessible, albeit not quickly. Would this be useful information to include in the template or in the notes section?

Section 6 Repurchase Transactions

This section appears to co-mingle customer repo and counterparty repo. Customer repo often results from a deposit sweep product where funds deposited by a customer in excess of a customer-level individually-defined limit are swept from the customer deposit account into a customer repo agreement on a daily or periodic basis. A counterparty repo might be with a large broker-dealer, and might have different behavioral characteristics versus customer repo. We highlight this difference to ensure that our understanding of the instructions is appropriate.

Section 10 Deposit Balances

The categories of Retail, SME, Financial Institution vs. Non-Financial Institution, etc. are not easy to segregate at $10-$50 billion institutions. For the larger institutions where deposit product sets are more varied and tailored to customer segments, and where "managed as retail exposures" for example, can be easily defined by a line of business financial reporting hierarchy, these segregations may be easier to delineate. We hope that reasonable segmentation approaches would be sufficient for institutions below $50 billion. The inclusion of explicit flexibility in the instructions for mid-sized institutions could save considerable implementation expense, particularly in the breakpoint between SME and commercial, sophisticated and non-sophisticated clients, and other segments within the Retail and SME category. The rule provides a large number of approaches to delineate between stable and less stable deposits. These approaches are more complicated to execute than might be imagined. Assessing accounts is easier than assessing customers or households. Measures assessing the presence of "established relationships" and measures of customer sophistication may not be widely available in $10-50 billion banks. Are banks to interpret these in an intent-based manner, or a rule-based manner? The required segmentations appear to be Basel III LCR / NSFR categories and this may be the first time that $10-50 billion banks will have been required to report this way. As such we are unclear on how much flexibility there is in the interpretation and application of the definitions and standards. Perhaps a Q&A conference call could be held to clarify the grey areas of implementation.

We recommend that $10-50 billion banks be allowed to satisfy the requirements on a best efforts basis through the reasonable use of their existing deposit product and existing line-of-business or segment reporting definitions without the penalty of defaulting to the worst category. If new segmentation is required, a more lengthy implementation time-line may be required.

The NPR categorizes "term deposits with a withdrawal penalty greater than loss of interest" favorably, versus those term deposits without such a penalty. This is an important distinction and needs further delineation. Is this interest over any particular time period, such as accrued and unpaid interest, life to date interest paid, or under any conceivable rate scenario? Would an early withdrawal penalty consisting of a fixed dollar amount plus a certain amount of interest meet the proposed criteria? Will this definition be the common standard for term deposit liquidity value in other regulatory assessments? Will this be consistent with the LCR and NSFR? The treatment in this proposal appears to be different that the treatment of term deposits in the recently released LCR NPR. This definition will likely affect how banks design products and may affect a very large number of customers. We recommend a more comprehensive definition of the withdrawal penalty criteria be provided.

Section 12 Undrawn Commitments and Contingent Liquidity Needs

We believe that at banks below $50 billion there may not be an existing reporting infrastructure to measure the segregations of unfunded commitments precisely as defined. While BOK Financial has relatively little exposure to liquidity facilities, we offer several observations and recommendations.

The proposed credit facility and liquidity facility definitions within the FR 2052b are brief and do not explicitly address the case of comingled facility types. An unfunded commitment can take at least three forms: A) strictly liquidity facility where, for example, commercial paper back-up or variable rate demand note program support are the sole purpose of the facility or B) blended where commercial paper back-up (or other liquidity facility function) is one of many stated uses among a list which may include working capital and other general corporate purposes, or C) strictly credit facility where the use of proceeds statement does not include commercial paper back-up or other liquidity facility functions. We believe few $10-50 billion banks would likely have the three types segregated via an automated, institutionalized, or systematized process. We note the definition in this proposal is less detailed than the brief definition in the recently issued NPR on the LCR, though we assume they are intended to be the same.

How these facilities are defined is important and will likely affect how customer agreements are structured and priced. Some $10-50 billion banks have investment-grade NRSRO ratings and are able to participate in the liquidity facility market. We recommend:

1. The FR2052 reporting requirements, the LCR requirements, and other liquidity regulations share an equivalent, more detailed definition of a liquidity facility
2. The regulations should avoid encouraging a blending of liquidity and credit facilities into comingled facilities which subsequently result in conditions where it is difficult to track the underlying liquidity exposures separately from the credit exposures
3. Some flexibility be extended to the $10-50 billion organizations in reporting SME versus Commercial such that existing product and line-of-business or segment reporting can be used in the best way possible to adequately accomplish the reporting requirements
4. For the $10-50 billion banks, either allow for a manual tracking process or acknowledge an upfront investment in training and infrastructure to systematically track the exposures by category. A manual process may have certification implications.

Section 21.2 Unsecured Holding Company Funding Curve

The instructions indicate to report the weighted average pricing for any unsecured funding issued by the Holding Company. Is the objective to have banks report the pricing only at issuance? Or is the objective to report pricing on unsecured funding issued and outstanding such that banks would report pricing on that debt over its life through maturity? We assume the intention is the latter, and that monitoring changes in credit spreads is one of the underlying goals. We would like to highlight an important impracticality of that approach for mid-sized banks. The infrequency of secondary market trading in the securities of mid-sized institutions will render this into purely an estimation exercise. For example, while BOK has never issued a holding company debt security, we have issued two bank-level subordinated debt transactions at $150mm and $250mm in size. These instruments have very infrequent secondary market trading. They attract a predominantly buy-and-hold investor base at issuance because of their size, and months can go by without a single trade. Of the few trades that do occur, some are so small that they are not at all indicative of where a trade of material size would clear the market. As such, the presence of a holding company unsecured debt issuance would provide us with very little information content upon which to build a holding company funding curve for any term point. Given our current lack of holding company debt we believe BOK would not be required to report a holding company funding curve at this time, but if we did have such debt we would not be able to provide pricing on an on-going basis with any degree of accuracy. We would simply look at the trading of holding company issuances of larger banks with similar credit ratings and estimate a funding curve or term point based on those larger bank's observable funding curves plus an estimated premium for the illiquidity of the smaller issuance. The Federal Reserve will already have those larger bank funding curves. We recommend that the requirement for banks under $50 billion to provide a funding curve be eliminated from the final rule / requirements. Perhaps the $10-$50 billion banks could report holding company senior unsecured NRSRO ratings (where applicable) in place of a funding curve.

Timing

The NPR requires the 2052 reporting to be submitted by the 10th calendar day. In addition the NPR requires the 2052 to be certified. I suggest that for many $10-50 billion banks, for many quarter-ends, the accounting processes which establish, finalize, and confirm the financial position are not yet complete by the 10th calendar day, given all the SOX processes that need to be completed, so the comparison point for certification would not yet be complete on that 10th calendar day. Furthermore, with all the process interdependencies involved with the many reporting deadlines faced at quarter-end, the 10th calendar day is quite problematic. We strongly recommend that the timing be extended to the 15th or 20th calendar day and if the certification requirement remains, that the timing be extended further toward the end of the month. In addition, we suggest consideration be given to a quarterly reporting cycle on non-quarter-end months.

Certification

Certification costs are difficult to estimate given our imprecise understanding of the requirements. If we were able to use existing processes and products and financial reporting hierarchy and certain manual tracking processes, the incremental cost of certification would be less than half the cost of doing the exercise. If, to enable certification, we need to automate and institutionalize the manual processes and/or alter product offerings and line-of-business reporting, the cost of certification might be an order of magnitude greater than what has been estimated. Forward looking information should be excluded from any certification requirement.

Burden of information collection

Assuming the most favorable timeline and flexibility of implementation such that we would not incur material initial set-up expenses, we believe the costs involved with this data collection are larger than estimated in the NPR, although not quite by double. If requirements are such that we need to develop multiple new reporting segregations, the costs will be larger by at least an order of magnitude due to up-front development costs and larger ongoing maintenance requirements. Certification would increase the costs beyond the aforementioned.

We hope these comments will be helpful. Please let us know if we can clarify any of the above views.

Sincerely,

Martin Grunst, CFA
EVP and Treasurer