



October 23, 2009

Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
"Proposed Guidance on Correspondent Concentration Risks"

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., NW  
Washington, DC 20551  
Docket No. OP-1369

Office of the Comptroller of the Currency  
250 E. Street, SW  
Mail Stop 2-3  
Washington, DC 20219  
Docket ID OCC-2009-0013

Regulation Comments, Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
ID OTS-2009-XXXX

Thank you for the opportunity to comment on the Proposed Guidance on Correspondent Concentration Risks. The Kansas Bankers Association is a nonprofit trade organization fortunate to have 321 of the 324 Kansas banks as members. The KBA membership represents a range of asset sizes from a bank with \$3 million in total assets, to the largest Kansas chartered bank of \$3.4 billion. However, without exception, each bank values its correspondent relationship with other financial institutions – whether the bank is the correspondent reaching out to other Kansas banks, or whether the bank is the community bank with a long-standing and valuable relationship with its correspondent.

These relationships have proven beneficial to all parties with correspondent banks providing much needed services to their respondent banks, and those respondent banks providing a good book of business for the correspondent banks. Regulation F already mandates that a bank must have policies and procedures in place to require the periodic review of a correspondent's financial condition, and must take into account any deterioration in its condition.

Regulation F provides that such monitoring efforts must take into account the correspondent's capital level, level of nonaccrual and past-due loans and leases, level of earnings, and any other factors affecting its financial condition. Regulation F also requires that those written policies and procedures prevent excessive exposure to any individual correspondent in relation to the correspondent's financial condition.

As we see it, the proposal seeks to expand upon the already-existing mandates found in Regulation F with regard to examining the financial condition of the correspondent and respondent bank and each bank's exposure to any one correspondent. Practically speaking, the ability to get more data with regard to each bank in the relationship is not possible. Under current Regulation F, KBA members tell us they are already committing resources to the analysis of the correspondent relationship by examining the data available through call reports and making a determination of the financial condition of that institution based on this. There is no better data available publicly and without having the ability to read exam reports, it is not possible to find more information related to the financial condition of an institution. We would hope that the final guidance does not make it impossible for banks to maintain current correspondent relationships due to inability to comply.

We strongly believe that concern with excessive exposure to one correspondent is directly related to the obligation of each bank to monitor the financial condition of its correspondents so that if a bank is adequately monitoring the condition of its correspondent, the risk of exposure to the bank due to a concentration is diminished. The proposal suggests that a credit exposure to a correspondent greater than 25 percent of Tier 1 capital, and a funding exposure greater than 5 percent should be considered a concentration. Rather than applying the same restriction to all such relationships, we would urge that the final guidance include a graduated, risk-related restriction based on a correspondent bank's financial condition.

Once a risk is identified in a relationship, the same guidelines to minimize or restrict that risk should be applied to all institutions regardless of asset size. There should be no difference in applying the restrictions approved as final guidance based on asset size or a perception of "too big to fail". To do so would be to treat relationships between a smaller correspondent bank and community bank unfairly.

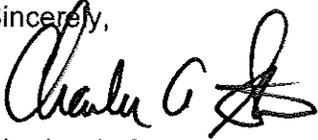
Finally, the proposal asks if there are operational issues that should be considered that would cause implementation of the proposal to be difficult. Specifically, we believe that eligible institutions should continue to be able to participate in more than one excess balance account.

While the industry is acutely aware of the cascading problems that the recent failure of a few correspondent institutions caused, we question the need for additional guidelines in this area. Regulation F is still in place and will continue to require the monitoring of the correspondent relationship to the bank. Moreover, regardless of whether a bank's exposure to a correspondent exceeds the 25% credit level and 5% funding level discussed in the guidance, a bank still will have to aggregate its credit and funding exposures to a correspondent (and the correspondent's affiliates) to see if the exposures remain within the bank's tolerances; the bank still will have to monitor correspondent relationships to watch for increased risk; and the bank still will have to manage the relationship once it exceeds the bank's tolerances.

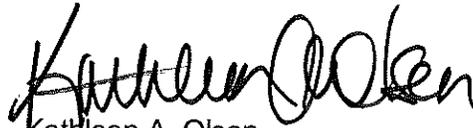
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Thank you once again, for the opportunity to comment on this important proposal. We hope the comments made above are helpful in the analysis of the final guidance.

Sincerely,

Handwritten signature of Charles A. Stones in black ink.

Charles A. Stones  
President

Handwritten signature of Kathleen A. Olsen in black ink.

Kathleen A. Olsen  
SVP-General Counsel