

Via email: director@fasb.org

September 27, 2010

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update of Accounting for Financial Instruments (Topic 825) and Revisions to the Accounting for Derivative Instruments and Hedging

Activities (Topic 815)

File Reference: No. 1810-100

Dear Mr. Golden:

We appreciate the opportunity to comment on the above referenced proposed Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU), Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. BOK Financial Corporation is a \$23 billion regional financial services company based in Tulsa, Oklahoma, that provides commercial and consumer banking, investment and trust services, mortgage origination and servicing and one of the nation's largest electronic funds networks. Our comments consider our position as both a financial statement preparer and user. We prepare financial statements for our investors, creditors and regulators and use financial statements to support investment and lending decisions.

We support improvement in accounting and reporting for financial instruments in ways that reduces excess complexity. However, we do not support an accounting model that does not faithfully represent the underlying business strategy for holding financial instruments. We support an impairment model for financial assets that promotes the timely recognition of expected credit losses. However, we do not support an accounting model that confuses interest income recognition and credit loss provisioning. We support simplification of accounting for derivative and hedging and believe they should go further.

Many represent that fair value is the most relevant measurement for all financial instruments. We strongly disagree. The most relevant measure is the cash that is expected to be received in exchange for financial assets or paid to settle financial liabilities based on the underlying business strategy as a going concern. Accounting for financial instruments must be reflective of management's intent in utilizing such financial instruments in its strategy to maximize the value to our stakeholders. Fair value of financial assets that cannot be realized or of financial liabilities that cannot be settled is of little relevance.

We acknowledge the challenge of reconciling the needs of various financial statement stakeholders, including investors, creditors, analysts, regulators and internal management which often have significantly different perspectives and we

acknowledge that fair value information may be useful for certain perspectives. However, requiring all financial instruments to be carried at fair value with the default assumption that changes in fair value are recognized in net income will emphasize short-term volatility that will confuse and distract financial statement users from focusing on evaluating an entity's long-term performance and expected generation of realizable cash flows.

We believe that the proposed ASU adds complexity for financial statement issuers, auditors and users rather than simplifying it. Many fair value measurements will be required for significant financial instruments that are not currently traded actively and for which no active market exists. As such, fair values for significant portions of the balance sheet will be based on inherently subjective and imprecise measurements developed through the use of significant unobservable inputs. More important than the added complexity, these fair value measurements may be misleading because no active markets exist where the reported values can be realized. For example, December 31, 2007 financial statements of 25 bank holding companies that we use as a peer group disclosed that the fair value of their loan portfolios exceeded amortized cost less allowance for loan losses by 1 percent. This misleading presentation was based on fair values at the time which considered loans spreads but not the coming credit and liquidity crises. Sufficient market capacity does not exist for the disclosed fair values to be realized. Financial statement users will be required to make judgments about which fair value measurements can or cannot be realized.

One position presented in favor of the ASU is that it will improve timeliness of reporting fair value information. We respectfully disagree. The timeliness and quality of fair value measurement will not be enhanced by requiring presentation on the balance sheet. It is reasonable to expect that preparation time required by this proposal would delay issuance of quarterly press release financial information for all but the few largest financial institutions. We believe it is preferential for fair value information to remain as part of the notes to the financial statements, including the additional disclosures with regards to how such fair value measurements were developed.

We believe that the current accounting model for financial instruments could be improved in less dramatic ways by simplifying the current classification and measurement model for financial instruments, developing a single comprehensive impairment model for all financial assets based on future events that management has a reasonable expectation of occurring (an expected loss model) and further reducing complexity in accounting and reporting for hedging.

Financial Instrument Classification & Measurement

We propose that all financial assets should be consistently classified based on management's strategy for the realization of the financial instrument in the following categories:

 Financial assets which are expected to be realized through the sale such as trading securities and loans held for sale or financial assets for which there are no certain contractual cash flows (e.g. equity securities and residual interests) should be recorded at fair value in the balance sheet. Lower-ofcost-or-market accounting for loans held for sale would be eliminated. Changes in fair value should be recorded in the income statement.

- Financial assets for which management's intention is to hold to maturity to
 collect contractual cash flows should be recorded at amortized cost less
 allowance for expected credit impairment. Debt securities held for collection
 of cash flows to maturity and loans not held for sale would be accounted for in
 this manner.
- Financial assets primarily held to collect contractual cash flows, but for which
 there is a reasonable possibility that the entity may sell to maximize cash
 flows should be recorded in the balance sheet at fair value. Changes in fair
 value of these assets should be recorded in other comprehensive income.
 These financial assets would be subject an assessment of credit impairment
 based on expected cash flows which would be recorded in the income
 statement. Debt securities that might be sold to maximize their ultimate
 return (available for sale) would be included in this category.

Reclassification among categories would be allowed and considered a change in estimate, but should be infrequent and supported by a reasonable, well documented change in management's intent for the financial instrument.

All financial instruments that meet the existing definition of a derivative should be recorded at fair value with changes in fair value recorded in the income statement. If a derivative is utilized to hedge an asset, liability, or commitment, such asset, liability or commitment would also be recorded in the balance sheet at fair value. All changes in the fair value of the hedged asset, liability or commitment would be recorded in the income statement. This concept should not depend on an arbitrary assessment of the hedge's effectiveness and should apply to hedges of both financial and non-financial contracts.

We believe that the only relevant measurement for non-derivative liabilities that have not been hedged is the expected settlement amount. Recording liabilities at fair value (e.g. recognizing changes in the fair value of an entity's debt based on changes in its own credit rating) should only be allowed if the entity has both the intent and ability to replace or settle the liability for the reported amount.

We are uncertain as how the proposed remeasurement approach for core deposit liabilities represents an improvement in the reporting for financial instruments for several reasons.

- Since the calculated amount is neither a cost nor fair value measure, we believe this concept will be confusing to financial statements users. It is not an amount that can be realized and largely appears to be an attempt to compensate for other shortcomings in the ASU, primarily the fair value measurement of loan portfolios.
- Computation of this amount presents a number of operational issues including subjective development of the discount rate for next available source of funds and all-in-cost-to-service rate. The ASU fails to describe how this calculation will work when the all-in-cost-to-service rate exceeds the alternative funds rate which is likely in the current low-rate environment. Also, exclusion of

escrow deposits from the definition of core is inconsistent with the economics of mortgage banking.

Credit Impairment Model Enhancements

We support the Board's direction in moving toward timely recognition of expected credit losses, including elimination of the probable threshold for loss recognition. However, we have some additional recommendations on enhancing credit impairment:

- We believe that an effective impairment model must include reasonable consideration of future conditions or events. Other parts of the ASU are already biased in favor of an expected loss model since fair values inherently consider future conditions and events. Adherence to an incurred loss model that excludes reasonable and well-supported forward-looking expectations of economic conditions will continue to lead to lagging estimates of credit losses. While much of the current debate focuses on credit losses realized in 2008 and 2009, consideration also needs to be given to 2006 and 2007. While credit risk was building in loan portfolios on assets originated during those years, the incurred loss model limited recognition to amounts based on historically low migration trends and environmental factors.
- Additional latitude should be provided to use impairment measurement
 methods other than discounted cash flows or fair value of underlying
 collateral for developing the estimate of expected credit impairment including
 adequate disclosure of inputs used in developing such estimates. These
 methods should include the explicit recognition of migration analysis and
 statistical modeling that include reasonable estimates of changes in economic
 activity, employment rates, interest rates, commodity prices and other
 relevant factors as appropriate impairment measurement techniques.
- We believe that the ASU proposal to combine recognition of interest income
 and credit risk is confusing and will be operationally difficult to implement.
 We understand that this is an attempt to better match recognition of credit
 loss provision with interest income. However, this proposal is based on an
 artificial relationship. Credit risk is inherent in the loan from day-one and
 should be recognized at that point in time. Changes in credit risk from that
 point are not based on the passage of time and should be recognized in
 earnings as they occur. Measurement and recognition of interest income
 which is earned over time is independent of changes in credit risk.
- We also recommend application of a consistent credit impairment model for all financial assets that are not carried at fair value with changes in fair value recognized in net income, including originated and purchased loans and debt securities. There should not be different treatments for credit losses in originated versus purchased loans. Current differences impair comparability among entities and distort key financial statistics utilized by financial institutions, such as yield, in assessing the financial performance. This would require a presentation change to include of the credit loss portion of the fair value adjustment for purchased loans (including non-accretable amounts) in the allowance for credit losses.

Only expected credit losses should be recorded in the income statement. The
current requirement to display the entire impairment based on fair value and
then subtract the non-credit portion (amount reported in other
comprehensive income) is confusing and not decision-useful to financial
statement users. Increases in expected cash flows should be recognized in
income as those cash flows are realized.

Derivatives and Hedging

We support FASB effort to simplify accounting for derivatives and hedging. However, in our opinion the effort did not go far enough. All derivatives should be carried on the balance sheet at fair value with changes in fair value recognized in net income. Similarly, all assets, liabilities and commitments purported to be hedged should be carried on the balance sheet at fair value with changes in fair value recognized in net income. Arbitrary definitions of "highly effective" or "reasonably effective" and detailed hedge documentation would be unnecessary. Changes in the fair value of derivatives and hedged assets, liabilities and commitments would be reported on a single income statement line so that financial statement users may easily assessment hedge effectiveness.

In conclusion, we believe much of the current framework for financial instruments accounting based on underlying business strategies is effective and valuable to all financial statement users. This framework should be retained. The needed improvement in accounting for financial instruments is a comprehensive impairment model based on expected losses. We encourage the Board to reconsider working jointly with the International Accounting Standards Board on a single cohesive converged standard narrowly focused on an impairment model. This will have a more important and less dramatic impact on how financial statements are used by all user groups.

The ASU as currently drafted will have a significant impact both in time and expense, primarily due to technological development in order to assure an effective implementation of these requirements. We estimate that a five to seven year timeframe would be needed to implement the requirements as presently drafted, which further underscores the necessity for a converged standard to avoid inefficiency in the eventuality that U.S. companies would be required to adopt IFRS on a similar timeline or quickly thereafter.

We appreciate your consideration of our comments and response to this ASU and would be please to discuss our comments with you in greater detail as needed. If you have any questions, please contact me at 918-588-8673.

Sincerely,

orn C. Morrow, Senior Vice President, Chief Accounting Officer