



895 Main Street  
P.O. Box 938  
Dubuque, Iowa 52004-0938  
563.589.0816  
Fax 589.0839  
bdonovan@americantrust.com  
www.americantrust.com

**Robert J. Donovan**  
Senior Executive Vice President  
Trust Officer

September 27, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington D. C. 20551  
**Delivered via email [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)**

Robert E. Feldman  
Executive Secretary  
Attentions: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N. W.  
Washington, D.C. 20429  
**Delivered via email [comments@FDIC.gov](mailto:comments@FDIC.gov)**

Office of the Comptroller of the Currency  
250 E. Street, S.W.  
Mail Stop 2-3  
Washington. D.C. 20219  
**Delivered via email [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)**

**Re: Basel III Capital Proposals**

Ladies and Gentlemen:

We appreciate the opportunity to offer comment on the Basel III Proposals that have been approved by the Federal Reserve Board, the Office of the Comptroller of Currency, and the Federal Deposit Insurance Corporation.

At the outset, our company for the most part understands and appreciates the need for appropriate review of the global banking capital standards. Clearly the events of the recent and current global economic concerns warrant such an analysis. However a number of the proposals developed through the Basel III will without a doubt negatively affect small community banking companies such as ATBancorp.

Our company ATBancorp is a privately held community focused holding company based in Dubuque, Iowa. Our organization is a three bank holding company with assets of \$1.2 billion. Our lead bank American Trust and Savings Bank, has been serving the community for one hundred years. It has offices in three Iowa communities. Our second bank, American Bank – Wisconsin serves four communities in Southwestern Wisconsin and our third bank, United American Bank serves four California communities.

First and foremost we are greatly concerned about the phase out of Trust Preferred Securities as a primary capital source. This form of capital has served primarily local community banking organizations very well. Private companies have limited capital resources. Alternatives such as Trust Preferred are essential and to eliminate one of our few options is simply not reasonable. Incidentally at this time there are even fewer capital options to small banking organizations. And even more Dodd-Frank never intended for this type of security to be phased out for community banks. We respectfully request that Trust Preferred Securities for financial institutions of \$500 million to \$15 Billion be permanently grandfathered.

Another requirement will have a significant effect on our organization's capital. Recognizing unrealized gains and losses on available for sale securities also is unreasonable. Market fluctuations will cause volatility in our small community bank capital. Our bank's investment portfolios are modest in size and complexity. We are for the most part a hold to maturity investor. Accordingly, imposing complicated and financially harmful standards are concerning.

The proposed rules increasing risk rating on residential mortgages will dramatically affect our ability to offer a much needed product to our community. This proposed rule will once again cause further negative impact to our small community bank capital. Similarly the effects of higher risk rating for Home Equity Lending will negatively affect our bank's ability to offer this service. This proposed rule too will impact our small community bank capital. Also increasing the risk rating on delinquent loans is quite unfair and unreasonable. This rule too will serve to negatively affect our small bank community capital. But, in this situation our banks' allowance for loan and lease loss more than adequately meets the required risk.

We again appreciate and recognize the diligent work of the Basel III process. We have significant concerns that we believe will impact our small community bank's ability to serve our communities and our local economies. These proposals will do just that and we respectfully urge your reconsideration of these very critical issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Donovan", with a long horizontal flourish extending to the right.

Robert J. Donovan  
Sr. Exec Vice Pres & Trust Officer