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December 26, 2017

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Ms. Ann E. Misback
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Mr. Robert E. Feldman
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Attention: Comments / Legal EES
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Washington, DC 20429

Submitted via email: comments@FDIC.gov

Re: **RIN 3064-AE59 – Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996**

Ladies and Gentlemen:

The following comments are submitted on behalf of the Independent Bankers Association of Texas ("IBAT"), a trade association representing nearly 400 independent, community banks domiciled in Texas. The average IBAT member bank has approximately \$250 million in assets. Thus, most would significantly benefit from simplification. On behalf of our members we would like to thank you for the opportunity to provide comment on the proposed rulemaking to simplify the current regulatory capital treatment. IBAT commends the banking regulators for their recognition that the current regulatory capital structure has had a particularly detrimental impact on community banks.

Any changes to the current capital structure for community banks needs to accomplish two significant objectives: lowering the required capital levels and providing meaningful simplifications to overly complicated and burdensome capital calculations. The ultimate benefit for Texas community banks will come only when both objectives are clearly met. A fundamental change in the required minimum capital standards as well as how that is calculated are both necessary for community banks to move from mere survival to thriving.

Below is an extract from the Statement of FDIC Vice Chairman Thomas M. Hoenig to the Board of the FDIC on the Notice of Proposed Rulemaking on simplifications to the capital rule pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

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Therefore, the agencies seek comment on whether they should consider a fundamental change to the manner in which banking organizations calculate and comply with minimum capital standards such as through the use of a simple U.S. GAAP-based equity-to-assets ratio (leverage ratio) for non-GSIB banks. If so, what would be the appropriate definition and level for the ratio? Also, what relief should be realized upon implementation of this capital standard relative to changes in the call report and other reporting standards?

That theme of both reducing capital levels and simplifying the process of calculating those levels is further expressed in Question 14.

Question 14: While the proposed rule addresses comments received during the EGRPRA review regarding the complexity of the risk based capital standards, the agencies seek comment on additional alternatives to simplify and streamline the regulatory capital rules. The agencies recognize the difficulties in achieving simplification of the risk based capital standards, particularly the burden related to their calculation and reporting, and the potential disparate impact to smaller and medium sized banks relative to their GSIB counterparts.

Therefore, the agencies seek comment on whether they should consider a fundamental change to the manner in which banking organizations calculate and comply with minimum capital standards such as through the use of a simple U.S. GAAP based equity to assets ratio (leverage ratio) for non-GSIB banks. If so, what would be the appropriate definition and level for the ratio? Also, what relief should be realized upon implementation of this capital standard relative to changes in the call report and other reporting standards?

A minimal level of capital of 8% for community banks using a simple U.S. GAAP based quarterly average assets ratio with the allowance for loan and leases added back would provide optimal relief for non-GSIB banks on both priorities. Alternatively, a higher minimal level of capital of 10% combined with a simplified reporting standard would be beneficial. If a bank falls below that 10% level of capital, then a more detailed reporting regime might be required, including a prompt corrective action plan to improve capital levels. As noted above, the critical point is that the cumbersome and, we would suggest, inappropriate reporting and calculation methodology should be revised and replaced for non-GSIB banks.

Banks under \$10 billion should be exempt with regard to the treatment of mortgage servicing assets, certain deferred tax assets, investments in other unconsolidated financial institutions, and minority interest. The onerous capital requirements of Basel III were never intended to apply to community banks involved only in traditional banking products and services. Higher capital levels have not 'stabilized' the community banking industry; rather, it has stifled growth and limited services for those banks and the communities they serve.

Thank you for the opportunity to comment on behalf of Texas community bankers.

Sincerely,



Christopher L. Williston, CAE
President and CEO