



**William J. Chase, Jr.**

*President  
Chief Executive Officer*

October 18, 2012

Jennifer J. Johnson, Secretary Board of  
Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E. Street, S.W.  
Washington, D.C. 20219

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS FDIC  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

I have the privilege of serving as President and CEO of Triumph Bank, a \$365 million dollar asset bank in Shelby County, Tennessee. We are a traditional commercial bank which is primarily (85%) a business purpose lender. As such, our mission is to extend credit to home builders, real estate investors, family owned businesses and professionals, facilitate payments for these same customers in the conduct of their business and to provide a safe place for depositors to deposit their savings. All of these activities require Triumph to maintain capital levels which support these activities while adhering to principles that are consistent with safety and soundness. Unfortunately, the 'unintended consequences' from the institution of Basel III rules will impede our bank's carrying out the three main activities outlined above.

My first area of concern has to do with the provision requiring all banks to mark to market their available for sale securities. This will have an immediate effect on our

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ability to lend to our present and prospective customers. Imagine a temporary change in interest rates – only up at this point – reducing our capital account. This immediately reduces the potential size of our loan portfolio. Alternatively, for a growing bank that is meeting the credit needs of its community, it will always have to keep additional capital in reserve to cover ‘an event’ over which it has no control. Since opening in June 2006, we have been able to meet our community’s borrowing needs when our competitors have not been able. This is demonstrated by our present loan portfolio which has grown to approximately \$285,000,000 from \$0 in June, 2006. Had the Basel III framework been in place at our inception, we would not have been as successful as we have been in fulfilling the community’s needs during our current financial meltdown.

My next concern deals with the increased risk weighting on certain types of loans and delinquent loans. By increasing the risk weighting of certain types of loans WITHOUT any regard to the institution’s management, experience or historical track record is a misdirected ‘one size fits approach’ to regulating loan portfolios. Additionally, increased capital requirements for certain types of loans will necessitate an increase in the cost of those loans to borrowers over and above a current market rate. Lastly, the increase in capital ‘de-links’ the loan loss reserve allowance and portfolio performance by increasing the capital required to carry the loan and then penalizing a bank for maintaining a loan loss reserve in excess of 1.25%. Never in the history of U.S. commercial banking has the loan loss reserve calculation been handled in this manner through the capital account! Properly managing the loan loss reserve is a more prudent and effective way of handling the collectability of a loan portfolio.

Finally, a complex, one size fits all, top down approach to banking as a substitution for traditional prudential regulation will only continue to drive up costs and reduce efficiencies at well managed and capitalized banks like ours. This is all happening while our economy is still extremely fragile. In short, there could not be a worse prescription for what has ailed the banking business and our economy. This proposal, along with Dodd-Frank, are solutions in search of a problem.

Banks like Triumph are integral to the local Memphis economy. We started in June, 2006 when the world first began to melt down. We have grown out of *de novo* status into a banking company with \$285 million in loans, 66 full time employees and four full service offices. Last year we funded more SBA guaranteed loans than any bank in our county, were second in dollar volume – and were #7 in the entire state in terms of dollars lent! During the housing crisis we have continued to lend to homebuilders to support this vital industry. In short, we have met the credit needs of our community while growing profits, employment and capital. If our bank is not allowed to continue these activities, our community suffers. I hope that you will strongly consider starting over on the accounting requirements for banks. Basel III can have the long term effect of putting a stake in the heart of community banking.

Sincerely,



William J. Chase, Jr.  
President & CEO