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United
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October 22, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th 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[1] that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am the President and Chief Executive Officer of Americas United Bank which is approximately a $108 million community bank with 2 locations and was formed on November 6th, 2006. It is focused on providing exceptional customer service along with community banking solutions to individuals and businesses in the Los Angeles County.

Considering the Basel III proposals, we concur that banks need to maintain capital standards sufficient to absorb potential losses and weather economic downturns. In recent years we have gradually built up capital to levels well above current requirements. We recognize that the Agencies have developed the proposals with a mind to improve the quality and, in some instances, the quantity of capital. However, these proposals were conceived for the large, internationally active banks and not for the small community bank.

Due to the broad scope of the proposals and their impact on banking organizations and on many of their key business lines, our primary recommendation is for the Agencies to withdraw the proposals and re-examine these impacts more fully before proceeding. But if the proposals or parts thereof are adopted, then we ask that the Agencies consider the more specific changes discussed in this letter.

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

In general I would like to say that the capital requirements of Basel III, while they may be appropriate for very large domestic banks and foreign banks, are not appropriate for banks commonly referred to as "community banks". Community banks had little to nothing to do with the recent economic debacle. The community bank model is much different than the larger and systemically important banks and foreign banks. We are not leveraged with material off balance sheet liabilities as are the large systemically important banks and large foreign banks. We are far more familiar with our customers and the risks associated with lending to local customers.

Second, the requirement of recognizing unrealized gains and losses on available for sale securities, reported through OCI, will have substantial impact on many community bank's capital accounts. Market fluctuations will cause great volatility of the bank's capital. If the bank has the capability to hold these assets until maturity it should not have to mark the gains and losses creating large swings in capital over normal business cycle changes in interest rates. Banks will be forced to either hold these assets as held for sale or stay very short in duration. Either case will limit many community banks' ability to manage the investment portfolio in a manner appropriate for liquidity, earnings, and the ability to manage Interest Rate Risk (IRR).

Another concern is increasing risk weights on high volatility commercial real estate loans because it is another redundant means of raising capital requirements in community banks. The risks associated with this type of loan must be assessed in the ALLL analysis and any increased level of required reserves provides the capital buffer for the risks inherent in these loans.

Increasing risk weights on delinquent loans is yet another redundant means of raising capital requirements. Delinquent loans must be considered in the ALLL analysis. Community banks are already regulated highly in this regard and criticized severely if not adequately recognizing the need for capital to mitigate the risks of delinquency in the ALLL analysis. This redundancy in capital calculation is both unfair and unnecessary for community banks. This change would also motivate banks to remove delinquent loans off their books more quickly rather than work constructively with borrowers. Experienced bankers, under the careful supervision of their prudential regulators, should have the flexibility to work through past due loans using their judgment rather than be subject to punitive risk weights based on a stepwise delinquency schedule.

These complex proposals that will raise certain capital ratios and refine the risk weightings of numerous classes of bank assets could have profound, not immediately but in time, effects on Americas United Bank and would be extremely burdensome to apply. It would be impossible for the industry and even bank regulators to foresee and understand the full impact. I understand and appreciate that a great deal of work and thought went into preparing the Proposals. I concur with the overarching purpose of the proposals to ensure that banking organizations have adequate capital to absorb losses. I appreciate this opportunity to offer these comments.

Sincerely,

Adriana M. Boeka
President and Chief Executive Officer