



FLORIDA BANKERS ASSOCIATION

ALEX SANCHEZ  
PRESIDENT & CEO

September 24, 2012

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue N.W.  
Washington, D.C. 20551

Dear Chairman Bernanke:

The Florida Bankers Association (FBA) is writing you today to voice our concerns regarding the Basel III Notices of Proposed Regulations released June 7, 2012. With close to 300 members, the FBA has been advocating on behalf of Florida's banking industry since 1888. While our membership is comprised of variously sized institutions, today we are reaching out to you on behalf of our many community and regional banks.

Mr. Chairman, while the international banking regulators huddled in Switzerland for several years ironing out the Basel accords, many of us in the banking industry fully understood what you were doing in setting these proposed rules. Basel III was intended to mandate a larger capital cushion to help the global financial markets deal with the top financial institutions worldwide that pose a major risk to the financial markets. Basel III was aimed to specifically target international, systemically-significant institutions, not the hometown community banks like those located in small rural towns like Clewiston, Florida.

Mr. Chairman, if you do not exempt our community and regional banks from Basel III you will be placing a vast majority of our banks at an unfair disadvantage as compared to our competitors in other countries.

While these Basel III discussions were taking place, was the issue ever raised that the American banking model is vastly different from its European counterpart?

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Europe does not have community banks and in the case of many other countries on the continent, they do not have super regional banks either. These rules were designed by individuals thousands of miles away, who are completely out of touch with the American banking system.

Mr. Chairman, who will enforce these Basel III Capital requirements? What if the European banks do not comply? Are the Chinese banks, considered by most the largest institutions worldwide, subject to these Basel III accords as well?

I believe the Chinese have very different accounting and regulatory standards from the rest of the world. Who will enforce these standards in China and elsewhere?

Placing America's Community banks, a segment of the industry with already high capital standards, at even higher capital requirements puts America at an extreme disadvantage. On several occasions, Mr. Chairman, you have stated that American banks, especially our community banks, are already subject to higher capital standards and in fact are well capitalized already. How can we expect U.S. banks to comply with these capital standards when banks from other countries cannot and perhaps will not comply? To put these rules in place is the equivalent of asking our banks to compete worldwide with one hand tied behind their backs.

After several trips to Washington to discuss the issue, it seems everyone is willing to talk about the importance of community banks, yet no one is willing to step up to help them. Exemption is the only answer.

The phenomenon that is the community bank and the vital role it plays within communities around our country is constantly underestimated. While community banks may represent only 10% of banking assets in the country, they account for more than 40% of all small business loans made nationwide. These small business loans are made every day to individuals trying to live the American dream by owning their own businesses and, in turn, creating jobs for their neighbors. If our country continues to move forward in applying Basel III as it stands, it will be a devastating blow to the entire banking industry, stifling economic growth and destroying our country's one true source of job creation.

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While the FBA agrees and continually emphasizes the importance of not only maintaining high levels of capital but safety and soundness generally, we are uncertain that this overly confusing, "one-size fits all" is the best solution. It is no small coincidence that as regulation becomes more complex, it also becomes less effective. As the pages of rules and regulations pileup, the only "jobs" being created are those for regulators, lawyers and compliance officers.

On behalf of Florida's banking industry, we appreciate your thoughtful consideration of what the broad application of Basel III could do to our nation's banking system. We must work hard to tailor regulation to reflect the vast differences in size and complexity of our many unique institutions. If we continue on our current path, one thing is certain: community banks will cease to exist.

Thank you; please call me if you would like to further discuss this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Alex Sanchez", with a large, stylized flourish extending from the end of the signature.

Alex Sanchez  
President and CEO

Cc: FED Governor Betsy Duke

FDIC Acting Chairman Marty Gruenberg

FDIC Director Thomas Hoenig

FDIC Director Jeremiah Norton

OCC Comptroller Tom Curry

Florida's Congressional Delegation