From: Robert Taylor [mailto:taylor@lba.org]
Sent: Thursday, October 18, 2012 12:52 PM
To: Comments
Subject: Basel III RIN 3064-AD95, RIN 3064-AD96

LouisianaBankers ASSOCIATION

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
RIN No. 7100-AD87
RIN No. 7100-AD95

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
Docket ID OCC-2012-0009
Docket ID OCC-2012-0008

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429
RIN 3064-AD96
RIN 3064-AD95

Re: Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements. Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action.

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the proposed Basel III Minimum Regulatory Capital and the Standardized Approach that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

This letter is submitted by the Louisiana Bankers Association, the only banking association in Louisiana representing FDIC insured institutions. Louisiana bankers are supportive of capital requirements that are strong, vigorous, transparent and understandable based on empirical study. From the oil bust in the 1980's, to hurricanes and droughts, Louisiana bankers have learned to fortify their institutions as indicated by the data on the FDIC web site. Bankers in Louisiana are adapting and working to comply with the extraordinary demands imposed by Congress and the federal banking agencies while also managing their bank to serve their communities and their shareholders. It is a period of tremendous change, demanding more time, greater attention and tremendous commitment by the employees, senior management and the boards of directors to assure their community banking model remains viable. It is a great challenge. We try to give you some sense of the challenge through written and verbal communication; however, ultimately, until one walks in the shoes of a community banker, the most eloquent presentation will fall well short of the experience across America of today's community banks and thrifts. It is my sincere hope that the comments your agencies receive will be taken to heart. Otherwise, the economy, the model of the community bank and the customers of community banks will be directly harmed.

I expect no banker can truly have a full understanding of the ongoing impact of the proposals by the October 22, 2012 deadline. It is simply too complicated and far reaching and must be understood in a dynamic fashion. I also expect bankers cannot yet fully understand the amount of recordkeeping that will be required to comply with this proposal. Unknowns include but are not limited to staff training, new processes, enhanced tracking, new programing and software that can measure, report and adhere to all requirements.

You will receive specific examples from bankers across the country on the impact the Standardized Approach and the Regulatory Capital rules will have on banks and customers of the bank. In speaking with bankers in Louisiana I have heard concerns from mutually chartered institutions and from S corporation institutions on the unique implications for those institutions. The proposed risk weightings of residential mortgages, home equity and second mortgages will further limit the ability of community banks to operate as community banks. The treatment of available-for-sale securities, elimination of trust preferred securities, capital requirements for credit enhancing representations and warranties on 1-4 family residential homes sold in the secondary market, all impede the community bank's ability to serve their customer. We would be interested in the empirical data that support the necessity to introduce these provisions. We would also be interested to see the studies of how these proposed changes in combination with other pending and final regulatory requirements impact the economy and those availing themselves to banks and thrifts for services.

Thomas M. Hoenig on September 14, 2012 stated our own conclusion best, quoting: "I understand where the proposal stands today and how much has been invested in drafting Basel III, but I believe the Committee should agree to delay implementation and revisit the proposal. Absent that, the United States should not implement Basel III, but reject the Basel approach to capital and go back to the basics. By doing so, we can focus on efforts that will create a well-managed, well-capitalized, well-regulated financial system that actually supports economic growth."

It is extremely significant that the Conference of State Bank Supervisors released a statement on October 3, 2012 that describe the proposed rules as "highly reactionary". Here is some of what was stated in their release of that date: "As bank supervisors, we believe there is sufficient justification for higher levels of capital. We can achieve this objective without increasing the complexity of capital. The proposed rules are highly reactionary to the most recent economic events and do not represent a thoughtful, long-term approach in the best interest of the U.S. banking system or the national economy. Many of the issues the agencies are trying to address are best managed through risk management and the supervisory process. By proposing a capital rule that attempts to remedy various issues that occurred during the financial crisis on a transaction-by-transaction basis, we are building a capital framework that is more complex and more prone to volatility. Many provisions of the proposed standardized approach are very similar to those proposed in the middle of the decade; however, the agencies have removed the beneficial aspects of those proposals and simply incorporated the more conservative elements. In response to previous proposals, we highlighted the need for further study on many of the risk weights and the potential impact on the industry. We continue to believe this is imperative."

The comment letters filed by CSBS on October 17, 2012 are as clear an indication the these proposals are harmful as any that could be presented for your review. These are professional bank regulators that are very close to their economies and committed to the safe and sound functioning of community banking. There needs to be a time out, to reevaluate these proposals for the sake of the economy, the customers of community banks and the viability of the community bank model.

Sincerely,

Robert T. Taylor
Chief Executive Officer
Louisiana Bankers Association