From: Robert Taylor <taylor@lba.org>
Sent: Wednesday, February 13, 2013 11:50 AM
To: Comments
Subject: Basel III fair value

LouisianaBankers ASSOCIATION

February 13, 2013

Robert E. Feldman, Executive Secretary

Attention: Comments/Legal ESS

Federal Deposit Insurance Corporation

550 17th Street NW

Washington, DC 20429

RIN 3064-AD95

Office of the Comptroller of the Currency

250 E Street, SW, Mail Stop 2-3

Washington, DC, 20219

Docket ID OCC-2012-0008

Jennifer J. Johnson

Secretary, Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue, NW

Washington, DC 20551

Docket No. R-1430;

RIN No. 7100-AD87

Dear Sir or Madam,

The Louisiana Bankers Association writes to strongly emphasize our opposition to the Agencies proposal to recognize in common equity tier 1 capital unrealized gains and losses on all available-for-sale debt securities. Rather than better reflect the actual risk of an institution, we believe this would undermine safety and soundness in banking. We are unable to state more clearly why this component should be removed from any final rule than that expressed in the comment letter dated October 17, 2012 by the Conference of State bank Supervisors. Here is a quote from that letter:

> *CSBS does not believe this provision is workable or meaningful for banking organizations. Including gains and losses on AFS securities in the common equity ratio would introduce significant volatility in capital ratios and potentially skew institutions' capital positions both in times of crisis and in periods of stability. The frequency and extent to which the proposed provision would adjust capital positions would be substantial. We believe capital measurements that are built on potentially significant volatility are not meaningful and may have detrimental consequences for the safety and soundness of our banking industry. We are concerned that this provision may cause banks to engage in transactions that they otherwise would not out of fear of the impact of the potential future losses from changings market conditions.*
>
> *The proposal offers possible alternatives, including excluding the impact solely from changes in interest rates and excluding U.S. government and agency securities. Firms that provide investment advisory services to the industry believe this will be nearly impossible to accurately quantify on a consistent basis. The Agencies should adequately research this perspective before finalizing any rule to ensure the option is workable and meaningful. To be clear, we believe the existing framework is more applicable to a traditional bank and provides for less complexity and greater stability.*

We request that the available-for-sale capital component be stricken from the final proposal.

Sincerely,

Robert T. Taylor

Chief Executive Officer

RTT/tl