



*Submitted via email*

August 2, 2012

Mr. Ben Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Mr. Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

Mr. Thomas J. Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

**Re: Proposed Rulemaking on Minimum Regulatory Capital and the Standardized  
Approach for Risk-weighted Assets  
Basel III Docket No. 1442  
Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97  
Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010**

Dear Sirs:

The Community Bankers Association of Illinois (CBAI), which proudly represents approximately 400 Illinois community banks, respectfully requests a 90 day extension to the comment period ending on September 7, 2012, regarding the joint notices of proposed rulemaking (NPRs) that are generally applicable to community banks (i.e., the Basel III NPR and the Standardized Approach NPR).

The size, scope, and impact of these proposed rules represent a major challenge for community banks which do not have the requisite compliance capacities unlike the too-big-to-fail mega banks. The rules are also being proposed at a time of continuing economic difficulty and an already suffocating regulatory burden faced by community banks.

The significant impact of the NPRs on community banks includes changes to the revised definition of regulatory capital, a new capital ratio, incorporating the revised regulatory capital requirements into the PCA framework, creation of a capital conservation buffer, revisions in methodologies for calculating risk-weighted assets for on- and off-balance sheet assets, and substitutions of financial collateral and eligible guarantors for calculating risk-weighted assets.

Please consider the complexities of analyzing even a single aspect of the Standardized Approach NPR alone, namely one that relates to the Accumulated Other Comprehensive Income's (AOCI) impact on capital. AOCI captures unrealized gains and losses on investment securities and can be very volatile depending on the nature of the community banks' investment portfolios and changes in the interest rate environment. Community banks will need to conduct extensive sensitivity analysis of their portfolios to completely assess the potential impact of the inclusion of unrealized gains and losses on their minimum regulatory capital levels. The impact on capital will surely be exacerbated by the fact that interest rates are at historical lows thus setting the stage for future capital level declines in an eventual rising interest rate environment.

CBAI believes a 90-day extension of the comment period will allow community banks the time needed to study the proposals and fully determine the impact on their bank's financial statements, ownership structures, operations, and systems capabilities. Without this extension of the NPRs, to allow for robust analysis of the complex rulemaking, community banks are exposed to heightened risks in capital adequacy. CBAI urges you to reassess the practicality of the current brief comment period and the challenges this would create for community banks.

If you have any questions or would like additional information, please do not hesitate to contact David Schroeder, CBAI Vice President Federal Governmental Relations at (847) 909-8341 or [davids@cbai.com](mailto:davids@cbai.com).

Sincerely,

/s/

David G. Schroeder  
Vice President Federal Governmental Relations