

Western States Bankers Association  
Regulations H, Q, and Y  
Docket No. R-1442  
Regulatory Capital Rules

On September 20, 2012, members of the Western States Bankers Association, composed of the Arizona, Colorado, Montana, Nevada, Utah, and Wyoming Bankers Associations, met with Governor Elizabeth Duke to discuss amendments to the recent joint notice of proposed rulemaking, which implements provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Basel III regulatory capital reforms. Association members expressed concern about the proposed time frame for the changes and supported delaying implementation until the macro effects of the capital and other regulatory proposals could be assessed. In particular, several association members had concerns about which assets could be counted as capital under the proposal; the treatment of trust preferred securities; and certain proposed risk weights, especially for mortgage assets. There was also a question about whether, under the proposal, a bank would be able to count its employee stock ownership plan as capital because of conflicts with Employee Retirement Income Security Act (ERISA) requirements. In general, association members said the proposed rules would make it more difficult for smaller institutions to raise capital and would thus have a negative effect on bank earnings and lending. More broadly, association members asserted that the compliance burden of the capital proposal and other new regulations would be onerous and that forming business models and conducting other planning efforts amid the current regulatory uncertainty would be difficult.