October 19, 2012

Jennifer J. Johnson, Secretary,
Board of Governors of the Federal Reserve System,
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R–1430; RIN No. 7100–AD87
Docket No. R–1442; RIN No. 7100–AD87

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

Mr. Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, S.W., Mail Stop 2-3
Washington, DC 20219
Docket ID OCC-2012-0008
Docket ID OCC-2012-0009

Dear Mr. Curry, Ms. Johnson and Mr. Feldman:

The Florida International Bankers Association (FIBA), Inc. ("FIBA") appreciates the opportunity to comment on the proposed Basle III guidelines.

FIBA is a trade association established 31 years ago and our membership includes 72 financial institutions from 18 countries. The primary focus of FIBA members is in the realm of private banking, wealth management and international trade financing. However, many of our member banks are also community banks ranging from relatively small institutions to medium size regional banks. While everyone of our member financial institutions will be impacted by one or more of the new initiatives on regulatory capital, it appears that the smaller institutions will be disproportionately affected. These institutions are likely to be State licensed, albeit supervised by either the appropriate Federal Reserve Bank or by the FDIC.

From its inception, FIBA has strongly supported safety and soundness in the financial system, and has consistently promoted the highest standards of ethics and management qualifications through multiple educational programs and seminars. We are concerned that the proposed regulatory framework is overly complex and that the "one-size-fits-all" approach to the capital problem will have a detrimental effect on the dual banking system and will accelerate the demise of the small community banks in the United States. Furthermore, if the United States adopts higher capital requirements than its international counterparts, the gap between domestic banks and overseas competitors will continue to grow larger.

The United States must establish uniform standards to protect its banking industry and to make sure the rules are not biased against the community banks which have been the biggest lenders during our feeble recovery.

The last few years have clearly shown the importance of amount of capital, and the quality of capital. However, capital – or equity - is only one of the components of any supervisory and regulatory system. The proposed guidelines are extremely complex for any but the largest institutions and may not accomplish the desired goal. If anything, history has amply demonstrated that simple rules are easier to understand and measure and therefore *harder with which to tinker*. The complexity alone would make it very difficult, if not impossible for the smaller institutions to invest in HR and IT that may be required to implement and effectively monitor the new rules. Add to this the multiple other compliance requirements that are constantly streaming and now banks have a new and bigger risk called "regulatory risk" with which to contend. We strongly believe that regulations should be designed to assist banks deal with and minimize risk and not to create a new risk.

We should not forget that the U.S. banking system is a reflection of the diversity of the U.S. economy. This economy includes the largest multinational firms, as well as small businesses –often sole proprietorships, and entrepreneurs taking the risk to bring the latest innovation to the market place. During the past few years the number of institutions has declined from a high point of about 18,000 to about 7,000. However, despite the best congressional efforts and a deepest recession since 1929, the 20 largest institutions have continued to increase their dominance and percentage of the total assets of the industry. We are concerned that more regulations (and increasingly more complex) will only accelerate this trend and increase the risk referred to as "too big to fail."

In the context in which the above has been expressed, FIBA is not averse to supporting a higher minimum capital ratio (most institutions have it today) and/or a lower leverage, provided it is clear and simple to comprehend and to implement. We do not support a countercyclical capital buffer to institutions below $250 billion in assets. This should apply only to the large systemically important institutions using the advanced approach.

FIBA cannot support the inclusion of unrealized gains or losses on securities as part of the common equity Tier 1 capital. We believe this is not workable for any institution, but will be specially damaging to the community banks. This application will introduce more volatility to the computation of capital and will not solve the regulatory concern or prevent any future crisis. We also oppose the gradual elimination of Trust Preferred Securities which is not mandated by Dodd-Frank and which only smaller institutions have booked in the past. We believe they should be allowed to run-off as provided in the Dodd-Frank, for any institution below $15 billion in assets.

We strongly believe that the higher risk weights being proposed for construction and land development loans, home equity lines of credit and amortizing second mortgage loans must be revised and dropped. The U.S. economy is currently making a feeble, yet determined effort, to pull out from the greatest economic and financial disaster since the Great Depression. Millions of people have suffered greatly from foreclosures, declining real estate values (and declining net worth and incomes) and simple inability to access credit, particularly at the larger financial institutions. This is the wrong time and the wrong approach to increase the rate of recovery and make sure it is sustainable in the future. The proposed rules are effectively telling banks to discontinue this type of lending and to direct credit to other areas, which is only certain to increase concentration in other lines. We are very concerned that the real estate industry in south Florida, already severely impacted, will be dealt a heavy blow. This will also have a huge negative impact on bank's balance sheets.

Last, but not least, FIBA respectfully requests clarity with respect to the risk weights being proposed for exposures to foreign banks in the area of trade finance. The proposal appears to have explicitly accepted the recommendations of the Basle Committee (BCBS "Treatment of Trade Finance under the Basle Capital Framework-October 2011) which assigns a risk weight of 20% to self-liquidating trade financial transactions of 90 days or less and 100% if it exceeds the 90 day threshold. However, another portion of the proposal continues to tie the risk weight to the floor established for sovereign risks and then adds "one risk weight category higher" than the risk weight of the sovereign exposure. As you probably know, our member banks in Florida have been specializing in trade finance for many years and have been instrumental in helping finance exports from Florida to our friends in Latin America and the Caribbean. Without this financing, the nation's trade deficit would be significantly higher and unemployment in our State (and in South Florida in particular) would be far higher than it is now. It would also have had a very negative effect on our diplomatic relations and various trade agreements already signed.

According to the latest statistics released by the State of Florida, total trade of our State in 2011 was $149 billion of which $64 billion was trade exports. These numbers represent an increase of 18.1% over 2010. In fact, the Miami Customs District had the 4th highest growth rate among the top 15 Custom Districts in the United States. 1,300,000 persons depend on international business in our State and 1,100,000 of them are linked to international trade. Over 95% of all exporters are considered small and medium enterprises with fewer than 500 persons employed. 1 out of every 6 jobs in our State is dependent on international business.

If the proposal does assign a 150% risk weight to trade transactions to low income countries, the impact could be very serious to our banks, to our State and to our Country. We urge you to review this matter carefully. Please note as well that a typical trade related transaction with emerging markets, or low income countries, is 180 days and not 90 days as suggested in the proposed rule. As a matter of fact, the OECD estimates the average life of a letter of credit to be approximately 120 days, including trade with industrial countries. Under the circumstances, the fair treatment would be to allow a 20% risk weight for any trade transaction up to 180 days with emerging markets.

We continue to have the highest regard and confidence in our banking system and in the agencies that supervise and regulate our member banks. For this reason, we believe that a greater emphasis should be placed on the "supervisory" process and not so much on complex numerical formulas which only a few large institutions are capable of implementing.

We would be pleased to discuss with you any of the matters set forth in this comment letter, either by telephone or in person.

Sincerely,

David Schwartz
Executive Director

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