

**Congress of the United States**  
**Washington, DC 20515**

October 18, 2012

The Honorable Ben Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave, NW  
Washington, D.C. 20429

The Honorable Thomas Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, D.C. 20219

The Honorable Martin Gruenberg  
Acting-Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

Dear Sirs:

We write to express concern about the most recent proposal for Basel III capital requirements and its potential impact on the community banking model.

The intent of the regulatory framework put forth by the Basel Committee on Banking Supervision is to harmonize capital requirements among bank supervisory agencies and central banks around the world. This "one size fits all" approach espoused by the Basel Committee may make sense for countries whose financial systems are served by a few large, complex financial institutions competing on a global basis; however, the application of the Basel framework to the United States may prove problematic given the diverse nature of our banking system.

While the higher capital requirements contained in Basel III are entirely appropriate for large, internationally active financial institutions that may pose a systemic risk to our economy, the application of these requirements to community and regional banks raises serious concerns. Higher capital requirements will force these community and regional institutions to hold resources internally instead of providing much needed credit for small business and consumers in communities across the nation. The impact of the Basel III requirements will be especially problematic for small rural areas predominantly served by community banks.

We understand and share your desire to promote a safe and sound financial system; however, we urge you to carefully consider the potential consequences of applying Basel III

capital requirements across the board without tailoring them to unique characteristics of community and regional banks.

The strength of the United States financial system lies in its diverse mix of community banks, regional banks, and large multinational financial institutions. As we move forward we need to ensure that rules and regulations are structured in a manner that promotes and strengthens this diversity rather than moving us towards a system of fewer, larger institutions.

Thank you in advance for your consideration of this matter.

Sincerely,



Shelley Moore Capito  
Chairman  
Subcommittee on Financial Institutions  
and Consumer Credit



Spencer Bachus  
Chairman  
Committee on Financial Services



Randy Neugebauer  
Chairman  
Subcommittee on Oversight and  
Investigations



Jeb Hensarling  
Vice-Chairman  
Committee on Financial Services