

# Congress of the United States

October 19, 2012

The Honorable Ben Bernanke  
Chairman  
Federal Reserve System  
20th Street and Constitution Ave, NW  
Washington, DC 20429

The Honorable Tom Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

The Honorable Marty Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry, and Acting Chairman Gruenberg:

We appreciate the opportunity to comment on the regulators' proposals to implement new Basel III regulatory capital reforms. The proposed Basel III rules, particularly the Regulatory Capital and Standardized Approach to Risk-weighted Assets rulemakings, call for changes to the capital structures of banks of all sizes. These rules would heighten capital requirements for banks, including by instituting revised methods for incorporating riskiness of held assets into mandated capital-asset ratio requirements.

Capital is the backbone of a strong banking system. Without strong, simple, and widely understandable capital requirements, banks will not be able to protect themselves from downturns or surprises and the public, regulators, and market participants will not be able to adequately gauge the health of the financial system. For this reason, we support efforts to implement appropriate reforms, including those that will improve capital requirements, reduce the potential for regulatory arbitrage, and strengthen the financial system.

In doing so, however, we urge that banking regulators prioritize for simplicity and clarity. First, simplicity can mitigate the extent to which large institutions can turn regulatory complexity into an advantage over their smaller competitors. Second, simplicity is critical for smaller banks that have fewer resources available for complying with complex new rules.

This is especially the case in states like Iowa. Iowa's community banks are different in size, scope, and in the types of services they provide from complex global financial institutions. In many cases, these banks serve communities that would not otherwise be served by large global banks.

Placing these community banks into a regulatory structure that is designed with these global institutions in mind is inappropriate. For this reason, any new rules should provide community

banks, especially in rural areas, that maintain simple and robust capital bases the flexibility with regard to risk-weighting of assets that they need to continue to serve their communities in a safe and sound manner, as they have for many years. In particular, regulators must give careful consideration to the effect of the proposal on community bank mortgage lending in their communities.

We share your commitment to updating the global financial regulatory structure so that it better meets the challenges of the modern international financial system. With the appropriate considerations, successful implementation of the Basel III accords will play an important role in achieving that goal. Thank you for your consideration of our views.

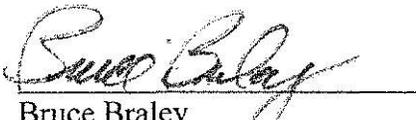
Sincerely,



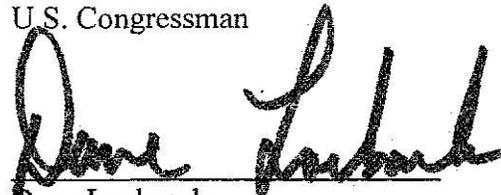
Tom Harkin  
U.S. Senator



Leonard Boswell  
U.S. Congressman



Bruce Braley  
U.S. Congressman



Dave Loebsack  
U.S. Congressman