BRETT GUTHRIE
SECOND DISTRICT, KENTUCKY

ASSISTANT WHIP

COMMITTEE ON
ENERGY AND COMMERCE
SUBCOMMITTEES:
HEALTH
COMMUNICATIONS AND TECHNOLOGY
COMMERCE, MANUFACTURING, AND TRADE

Congress of the United States
House of Representatives

November 13, 2012

The Honorable Ben Bernanke
Chairman
Federal Reserve System
20th Street and Constitution Ave NW
Washington, D.C. 20551

The Honorable Martin Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street 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

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

As Members of Congress representing districts within the Commonwealth of Kentucky, we are writing to express our concerns regarding the proposed rules issued by your agencies pursuant to the Basel Committee's Basel III capital requirements. Specifically, we are concerned that applying Basel III standards to community banks would severely damage a lending model that plays a crucial role in our districts, while doing little, if anything, to address the concerns underpinning Basel III.

As you are aware, Basel III was designed to harmonize global capital standards as well as improve the global financial system's resilience to future downturns. We agree without question that adequate supervision of the international banking system is essential to avoiding future financial crises; however, we do not believe that it is appropriate to apply the same regulatory standards for large national and multinational banks to community banks.

Community banks are different from larger banks in both size and scope. Community banks are not involved in the complicated capital market transactions that Basel III was designed to address, and as such, we do not believe that there is value in requiring them to engage in the same risk management practices as those that do. In short, there is little justification for requiring community banks to adhere to complex risk management strategies for business practices that they do not engage in.

Furthermore, community banks have scarce access to capital markets. Higher capital standards for these banks will only result in forcing them to hold money on their books rather than lending it to surrounding communities. While this could have disastrous consequences for small banks and their communities, it would provide negligible benefits to Basel III's underlying concerns.

Community banks are an essential piece of the economic recovery puzzle. They provide a significant source of personal and small business lending throughout our economy and, in some areas, they provide the only local source of financial services. Community banks must be encouraged to reinvest earnings and other available resources into their communities, instead of requiring them to hoard capital as prescribed by one-size-fits-all regulation.

We understand that capital is a pillar of strength in our financial system but we urge each of you to consider the advisability of further burdening community banks with a capital standard that was not designed for this segment of the market. We urge you to avoid applying any regulation to all institutions without regard to appropriateness and applicability, as that may create a new set of problems. As you review these proposed rules, we request that you consider these unintended consequences and their effects on the health of community banks nationwide.

Sincerely,

Brett Guthrie
BRETT GUTHRIE
Member of Congress

Hal Rogers
HAL ROGERS
Member of Congress

Ed Whitfield
ED WHITFIELD
Member of Congress

JOHN YARMUTH
Member of Congress