VENTURE BANK

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[redacted]

October 18, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

I would like to thank you for the opportunity to comment on the proposed capital rules. These rules have vast implications throughout the banking industry, but are especially onerous for community banks like Venture Bank. Established in 2001, Venture Bank is a $350 million dollar state-chartered commercial bank with offices in Bloomington, Golden Valley and Eagan, Minnesota. The Bank provides commercial and retail loan and deposit services primarily to the small business community in the Twin Cities.

While the overall complexity and more stringent capital standards are problematic, the following specific issues are of particular concern for Venture Bank:

- Accumulated Other Comprehensive Income/Loss (AOCI) included in Common Equity Tier 1 Capital - Community banks have been asked to hold more on balance sheet liquidity, generally in the form of high quality Available For Sale (AFS) securities. Under the proposed rules, banks that have complied with the liquidity demands will add significant volatility to the core capital measures. Venture Bank's AFS portfolio represents between 10 and 15% of total assets, and provides substantial liquidity and flexibility in managing overall interest rate risk. In a 300 basis point rate shock, the value of the AFS portfolio would fall by approximately $2.0 million. Common Equity Tier 1 would decline from 8.82% to 8.44%.

  This volatility will result in Venture Bank reviewing its AFS portfolio for potential reclassification to a Held to Maturity (HTM) portfolio. This shift would be counterproductive to the complied balance sheet liquidity demands recently implemented by many community banks. In addition, any economic recovery accompanied by rising rates is likely to be muted by community banks restricting lending and risk as their capital is negatively impacted by their AFS portfolios.

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- 20% Credit Conversion Factor for Unused Commitments with original maturity of 1 year of less. Venture Bank maintains $87.5 million in unused commitments to small business owners - $20.8 million have an original maturity exceeding one year, $67.0 million have an original maturity of one year or less. The represents a dramatic 23% increase to Venture Bank's total risk-weighted assets. The small business community relies heavily on commercial lines of credit to support their growth and aid monthly cash flow. Venture Bank will have to proactively manage its loan balances and availability on lines of credit. The result will be a direct reduction in small business lending.

While I fully support an increase at some level in the amount of capital that banks hold, the cumulative effect of each of the items reflected above will have a severe impact on a large number of community banks. I strongly urge you to consider the impact on small business lending and its potential detrimental effect on economic growth in this country. In addition, I urge you to consider a possible exemption for community banks from these burdensome rules. Community banks need to be able to continue serving our communities and helping strengthen our local economies.

Thank you for your consideration.

Sincerely,

Gwen N. Stanley

Gwen N. Stanley
Executive Vice President & Chief Operating Officer

cc: Senator Al Franken
Senator Amy Klobuchar
Congresswoman Betty McCollum
Congresswoman Michele Bachmann
Congressman Keith Ellison
Congressman John Kline
Congressman Erik Paulsen