

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

Ben Bernanke	Thomas J. Curry
Chairman	Comptroller
Federal Reserve Board of Governors	Office of the Comptroller of the Currency
20 <sup>th</sup> and C. Street, NW	250 E. Street, SW
Washington, DC 20551	Washington, DC 20219

Martin J. 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 are writing to express our concerns regarding the proposed Basel III capital requirement standards and their impact on our state's community banks.

We are aware that many of our constituent bankers have submitted their comments on the proposal. We would like to reiterate what many of them have said; namely, that the Accumulated Other Comprehensive Income provisions of the proposal unnecessarily inject volatility into the financial system.

By requiring all unrealized gains and losses on available-for-sale securities to flow through to common Tier-1 equity, this proposal will require community banks to revalue available-for-sale securities every time there is a change in interest rates. Because changes in the value of an available-for-sale security could happen on a daily basis, banks will need to hold more capital as a cushion against any increase, however slight, in the rate. As a result, community banks will have to divert vital capital resources from customer services and potential bank growth in order to build this cushion. Rather than impose regulations developed by the international community

on financial institutions without regard to size, we urge each of you to give serious consideration to the impact Basel [II] will have on community banks.

Community and regional banks serve their communities in ways that larger, international financial institutions cannot. By taking the time to get to know their customers and personally evaluate his or her integrity, community banks offer mortgages, car loans and other forms of credit that many other banks do not have the time to construct. Additionally, unlike larger banks, community banks do not employ the hyper-complex trading mechanisms to buy and sell securities. As such, capital requirements as stringent as those proposed in Basel [III] may not be necessary to ensure the financial soundness of every bank. A one-size-fits-all approach to banking regulation has the potential to create more unintended consequences than it yields in market stability. We fear such unintended consequences may befall the community banking sector if the proposed regulations are implemented with amendment.

Since the passage of the Dodd-Frank Act, Texas bankers report they have spent increasing time and resources complying with new regulatory requirements. However, they know the importance and value of regular examinations. As such, their respect for this process is what led to Texas having one of, if not *the*, strongest banking industry in the country over the past few years. Still, with every new proposal that is released, community bankers must devote fewer resources to serving their customers and instead focus on compliance.

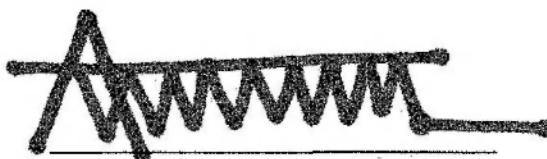
Collectively, we have heard from hundreds of community bankers across the State of Texas who are very concerned about the long-term impact Basel [II] would have on their institutions if adopted in its current form. Basel [II] was developed with the laudable goal of preventing a future financial crisis. However, if the proposal is not scaled to ensure community banks are not disproportionately affected, we fear community banks will be forced to close their doors in the face of increasingly burdensome regulations, which inhibit their ability to adequately serve their customers.

Therefore, we urge each of you to consider the impact increasing capital requirement standards would have on community banks and the people they serve.

Thank you in advance for your attention to this matter.

Sincerely,

Pete Sessions



Bin Fler

Ted Poe  
*(gee you can't  
see that??! :)*

Zoe Boston

Pett Olson

Renee Schmidt

Karen

Dana Catt

Hil Cheyanne

Lamar Smith

Michael Barnes  
H.

K. Michael Conaway

Mike T. McCarl

K. Michael  
Conaway

I.

Sam Johnson