PATTY MURRAY
WASHINGTON

COMMITTEES:
APPROPRIATIONS
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HEALTH, EDUCATION, LABOR, AND PENSIONS
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VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510-4704

December 21, 2012

Mr. Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street SW
Mail Stop 2-3
Washington, DC 20219

Mr. Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

I commend the recent decision to postpone implementation of the Basel III regulatory capital reforms in order to take into consideration the feedback the agencies received on the proposed new regulations. As you engage in this process, I urge you to consider the unique role community banks play in our economy, and the undue burden and potential unintended consequences from the proposed regulations.

In Washington state, community banks play a key role in providing access to credit in all communities, particularly rural areas. Community banks make relationship-based banking decisions in the same markets where their customers live and work, providing localized access to essential funding that enables growth and opportunity for small businesses.

Many community banks acknowledge the need for changes to regulatory capital requirements. However, at a time when there is elevated attention paid to small businesses' ability to access capital in order to keep the economy growing, we must not insert roadblocks that hinder recovery. I am concerned that imposing broad new rules could have unintended consequences for community banks, and ultimately result in reduced lending and economic growth in the communities they serve.

The capital requirements in the proposed rule would apply to all banks and thrifts larger than $500 million in assets. The complexity of the proposed rules, drafted to keep large, internationally active institutions from failing, would disproportionately burden community banks. Indeed, I understand from my constituents that many of the provisions appear to present expensive and complex regulatory burdens for community banks without necessarily improving the stability of those institutions. Any new rules should distinguish between the size, complexity and risk of the financial institution in order to develop a more level playing field, especially when implemented in the U.S., where the banking industry is systematically different than it is in European markets.

In the wake of the financial crisis of 2008, re-evaluating regulatory capital standards is important. However, those standards should not be one-size-fits-all and should not hinder small business and consumer access to loans. As the agencies continue to contemplate the proposed rules and in light of this and other comment letters, I urge you to take into consideration the unique role played by community banks and the potential harmful consequences posed by new capital regulations.

Sincerely,

Patty Murray

Patty Murray
United States Senator