

**Meeting Between Federal Reserve Board Staff  
And Staff from Banking Organizations  
October 5, 2011**

**Participants:** Anna Lee Hewko, Norah Barger, Steve Merriett, Mary Aiken, Juan Climent, Stephanie Pisto, Connie Horsley and Holly Kirkpatrick (Federal Reserve Board)

Michael D. Kruse (SVP Financial Group), Mitchell Bleske (Trustmark National Bank), Hammad Ahmed Pirzada (The Private Bank), Martin Eric Grunst (BOK Financial Corporation), Brian Daniel Jimenez Boike (Citizens Republic Bancorp), John Ross and Scott Albinson (J.P. Morgan), Bruce Wandelmaier (Webster Bank), Scott Free (F.N.B. Corporation)

**Summary:** Staff from the Federal Reserve Board met with representatives of several banking organizations to discuss the Basel III treatment of accumulated other comprehensive income (AOCI) in the computation of regulatory capital. The representatives of various institutions discussed how the proposed treatment of AOCI would cause increased regulatory capital volatility and may require their institutions to hold more regulatory capital, which would reduce their lending capacity and increase the difference between reported and economic capital. Specifically, each representative discussed the impact on their lending capacity with different interest rate increase scenarios. The representatives expressed concern that an interest rate increase under the Basel III treatment may create systemic risk as institutions of all sizes may be less willing to extend credit due to the volatility in capital from AOCI. The representatives also mentioned that the treatment creates a competitive advantage for foreign banking organizations due to potential future jurisdictional differences in accounting treatment.