

**Meeting Between Governor Duke and the  
Oklahoma Bankers Association  
September 13, 2011**

**Participants:** Governor Elizabeth Duke (Federal Reserve Board member), Katie Ross, and Jennifer Gallagher (Federal Reserve staff)

**Oklahoma Bankers Association members:** Donald Abernathy, Aaron Bastain, Elizabeth Bauman, Henry Bauman, Tangie Beatty, Dick Beshear, Adrian Beverage, Roger Beverage, David Braddock, W. Briley, Bradd Brose, Jessica Brose, Greg Brown, John Bryant, David Burrage, Gina Carter, David Cook, Paul Cornell, David Durrett, James Eppler, James Hamby, Jane Haskin, Jimmy Hiatt, Ross Hill, Skyler Holman, Kirk Hudson, Allison Hutchings, William Latta, Tom Loy, Philip McMahan, Jan Miller, Ralph Nichols, Loren Rieger, Bruce Schultz, Katherine Segner, Donald Sherman, Myrna Smith, James Swickey, Lee Symcox, Suzanne Symcox, David Thompson, Robert Thompson, Douglas Tippens, Martin Tucker, and Mike Wynn

**Summary:** Members of the Oklahoma Bankers Association met with Governor Duke to discuss implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). Members noted concern among community bankers about the standards for qualified residential mortgages (QRMs) under the proposed interagency rule on risk retention (Docket No. R-1411), and some members advised waiting for more information on reform of the government-sponsored enterprises (Fannie Mae and Freddie Mac) before taking further action on the QRM standards. Association members generally raised concerns about the regulatory burden for community banks from recent or pending Dodd-Frank rulemakings, including liquidity and stress-test requirements. The association submitted the attached written comments on Dodd-Frank regulatory matters.

Attachment

**FEDERAL RESERVE**  
**Issues for Discussion During 2011 Washington Visit**

(Comments related to Board rulemakings under the Dodd-Frank Act are provided below.)

**General Observations:**

One of the on-going questions is whether regulatory rules and guidelines will be applied unilaterally across the industry, or scaled to the size of the institution. Particular examples include liquidity measures and stress-testing.

Obviously it is not unexpected that regulators would be concerned about the industry's ability to weather a liquidity crisis. However, the balance sheets of Oklahoma's community banks are much less complex than multi-billion dollar institutions. Examinations and demands for liquidity stress testing have been harsh and may be strong evidence in community banks of overkill.

Additionally, stress-testing for community banks seems to border on overkill.

**Federal Reserve:**

Section 165 of the Dodd-Frank Act relates to "enhanced prudential" standards for larger banks. They are to cover everything from risk-based capital rules and a leverage ratio to liquidity requirements and concentration limits. They will dictate risk management practices, resolution plans and credit exposure reports.

In addition the law also gives the Fed the option of imposing standards that relate to contingent capital, enhanced public disclosures, short-term debt limits, and any other factors the central bank "determines are appropriate." The concern is to what extent is it likely these same requirements will spill over onto traditional community banks?

The law requires the Fed to do annual stress tests on these larger firms under at least three scenarios — baseline, adverse and severely adverse — and the banks themselves must conduct internal stress tests twice a year. To what extent do you have plans to require stress tests at banks and bank holding companies regardless of size?