

THAD COCHRAN  
MISSISSIPPI

## United States Senate

WASHINGTON, DC 20510-2402

COMMITTEE ON  
APPROPRIATIONS  
CHAIRMAN

COMMITTEE ON  
AGRICULTURE, NUTRITION,  
AND FORESTRY

COMMITTEE ON  
RULES AND  
ADMINISTRATION

July 15, 2015

Chair Janet Yellen  
Board of Governors  
The Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, DC 20551-0001

Comptroller Thomas Curry  
Office of the Comptroller of the Currency  
400 7th Street, S.W.  
Washington, DC 20219

Chairman Martin Gruenberg  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429

Dear Chair Yellen, Comptroller Curry, and Chairman Gruenberg:

We are writing to express our concerns regarding reports that the Third Basel Accord (Basel III) international capital rules, as implemented during the first quarter of 2015, have adversely affected a number of community banking institutions, some with total assets as low as \$50 million, that were not responsible for the 2007-2008 financial crisis.

In January 2014, regulators issued an Interim Final Rule providing a broad exemption from the original Volcker rule for banks holding trust-preferred securities. The original rule would have required community banks to divest trust-preferred holdings at depressed prices.

It is our understanding that the Basel III capital rules are producing much the same result for some of these banks by requiring a portion of their trust-preferred securities to be deducted from regulatory capital, even though the performance of the investments has improved steadily since the crisis. Mandatory capital reductions will result in reduced lending capacity, which is of particular concern with respect to smaller institutions serving rural areas.

We realize your agencies face a difficult task in setting new capital standards, and we understand that one challenge is avoiding unintended consequences. We urge the Federal Reserve, OCC, and FDIC to take tailored and appropriate action to avoid unnecessarily penalizing community banks holding these performing assets.

Thank you for taking these comments into consideration.

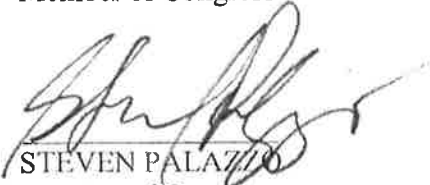
Sincerely,



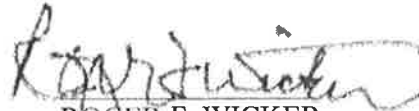
THAD COCHRAN  
United States Senator



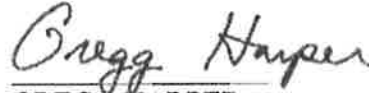
BENNIE THOMPSON  
Member of Congress



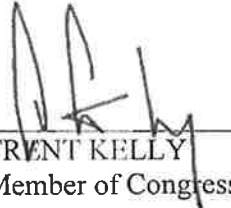
STEVEN PALAZZO  
Member of Congress



ROGER F. WICKER  
United States Senator



GREGG HARPER  
Member of Congress



TRENT KELLY  
Member of Congress