Meeting Between Governor Duke and the Western States Bankers Association September 20, 2012

Participants: Governor Elizabeth Duke, Madelyn Marchessault, April Snyder, and Jon Hiratsuka (Federal Reserve staff)

Western States Bankers Association: Bruce Alexander, Benito Almanza, Mark Bower, Kim Casaday, A. Don Childears, Kevin Clark, Aaron Courtney, Robert DeWit, Carol Donaldson, Michael Geesey, Bruce Glennie, Curtis Hansen, Lynne Herndon, Paul Hickman, Wayne Hirsch, Wendy Holloway, Mitch Johnson, Gregg Jones, David Kelly, Charles Knadler, Brian Larson, Steve Lovas, James Lundy, Mark Packard, Koger Propst, David Ralston, Steve Turkiewicz, Bill Uffelman, Samuel Waters, Greg Winegardner, Ron Young, Terry Frydenlund, Bo Hughes, Gerrit vanHuisstede, Sheldon Woods, Adam Christensen, Stacey Langford, Nathan Morgan, Lewis Goodwin, Scott Godderidge, Michael Schumacher, and Lori Chillingworth

Summary: Members of the Western States Bankers Association, which is composed of the Arizona, Colorado, Montana, Nevada, Utah, and Wyoming Bankers Associations, met with Governor Duke to discuss implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act"). Association members expressed concern about the proposed time frame for changes to regulatory capital requirements in the recent joint notice of proposed rulemaking (Docket No. R-1442), which implements provisions of the Act and the Basel III regulatory capital reforms. They supported delaying implementation until the macro effects of the capital and other regulatory proposals could be assessed. In particular, several association members had concerns about which assets could be counted as capital under the proposal; the treatment of trust preferred securities; and certain proposed risk weights, especially for mortgage assets. There was also a question about whether, under the proposal, a bank would be able to count its employee stock ownership plan as capital because of conflicts with Employee Retirement Income Security Act (ERISA) requirements. In general, association members said the proposed rules would make it more difficult for smaller institutions to raise capital and would thus have a negative effect on bank earnings and lending. More broadly, association members asserted that the compliance burden of the capital proposal and other new regulations would be onerous and that forming business models and conducting other planning efforts amid the current regulatory uncertainty would be difficult.