Meeting between Federal Reserve Board Staff and
Representatives of the Independent Community Bankers of America (ICBA)
July 11, 2012

Participants: Governor Elizabeth Duke, Arthur Lindo, Thomas Boemio, April Snyder, and Benjamin McDonough (Federal Reserve Board)

Camden R. Fine, Karen Thomas, Christopher Cole, and James Kendrick (ICBA Staff); and Jack A Hartings (The Peoples Bank Co.), William Loving (Pendleton Community Bank), and Salvatore Marranca (Cattaraugus County Bank) (ICBA Executive Committee Members)

Summary: Members of the ICBA and ICBA Executive Committee (together, ICBA Representatives) met with representatives of the Federal Reserve to discuss the Federal Reserve's Basel III proposals. ICBA Representatives comments generally related to the following topics:

1. <u>Template to understand impact of the proposals</u>

   ICBA Representatives indicated that it would be helpful to have a template or capital calculator that would allow a community bank to determine the impact of the proposals on its regulatory capital requirements.

2. <u>Unrealized gains and losses</u>

   ICBA Representatives raised concerns that the proposal would require unrealized gains and losses on available-for-sale securities to flow through regulatory capital.

3. <u>Loans that are 90 days or more past due</u>

   ICBA Representatives raised concerns about the proposed treatment of loans that are 90 days or more past due.

4. <u>Capital conservation buffer</u>

   ICBA Representatives raised concerns that the capital conservation buffer could come to function as a new minimum capital requirement.

5. <u>Simpler approach for community banks</u>

   ICBA Representatives suggested that the Federal Reserve consider allowing community banks to remain on "Basel I" or provide a range of simpler options for community banks.

6. Treatment of trust preferred securities

   ICBA Representatives recommended allowing a permanent or longer phase-out period for trust-preferred securities.

7. Effect of proposal on lending by community banks
   ICBA Representatives indicated that the proposals could have the potential to reduce lending by community banks if the banks were forced to hold substantially more capital or if there were uncertainty about their minimum capital requirements.