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June 16, 2004

***Via Federal Express***

Board of Governors of  
the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Attention: Ms. Jennifer J. Johnson, Secretary

***Re: Notice of Proposed Rulemaking With Respect to Risk-Based Capital:  
Trust Preferred Securities and the Definition of Capital (the "Proposed Rule")***

Ladies and Gentlemen:

I am writing to address the Proposed Rule referenced above and its effects on the treatment of Trust Preferred Securities for regulatory capital purposes.

The Proposed Rule reduces the amount of Trust Preferred Securities that may be treated as Tier 1 capital by excluding goodwill from the core capital elements that may be considered when calculating the 25% limitation applicable to Trust Preferred Securities. And, by reducing the amount of Trust Preferred Securities that may be treated as Tier 1 capital and, thus, a banking organization's total Tier 1 capital, the Proposed Rule also reduces the amount of Trust Preferred Securities that may be treated as Tier 2 capital because of the limitation of Tier 2 capital elements to 50% of any banking organization's Tier 1 capital. In short, for some banking organizations the Proposed Rule will have the effect of producing excess Trust Preferred Securities that may not be treated as either Tier 1 or Tier 2 capital.

During the last several years, many banking organizations pursued transactions utilizing Trust Preferred Securities with both the prior approval of their appropriate Federal Reserve Bank and the tacit assurance that any regulatory capital changes respecting Trust Preferred Securities would be "grandfathered." As you appreciate, the Trust Preferred Securities utilized in these transactions are very long-lived with a 30-year term being the industry norm. The capital plans submitted to the Federal Reserve in connection with the approval of these transactions also invariably encompassed a period of at least 12 years. To now require banking organizations that have utilized Trust Preferred Securities in these

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circumstances to comply with the treatment of Trust Preferred Securities embodied in the Proposed Rule in a period of less than 3 years is unduly harsh. This is particularly so in those instances where compliance with the Proposed Rule by March 31, 2007 may be problematical because of binding commitments premised on the existing rules.

In closing, it is respectfully submitted that a full 5-year transition period should be provided in any final rule and that that period should commence only upon the beginning of the calendar quarter following adoption of the final rule.

Very truly yours,

LATHROP & GAGE L.C.

By:



C. David Barrier

CDB/dl