

From: Business Bank of Texas, N.A., Ed Lette
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules
Subject: Regs H & Y Regulatory Capital Proposals

Comments:

Subject: Basil III Concerns

"Mark to Market"

Business Bank of Texas is concerned about the impact of including unrealized gains and losses on available for sale securities in our common equity tier 1. We have approximately \$ 92 mm in assets and at this time approximately \$ 55 mm in AFS securities the majority being MBS's. How should our bank deal with this proposal, especially when interest rates rise again? We have to create an additional capital buffer as a cushion during value fluctuations? This will mean we will take resources from our customer/community needs. Should we limit our investments in longer duration assets? How will this affect the housing markets? This proposal could cause a number of banks to sell their AFS (MBS's) portfolios. Have federal regulators considered what impact this will have on the markets for these (MBS's) securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.

We are a community bank and as such, should not be thrown into the "mark-to-market" frenzy caused by FASB who is only creating work for the "Final Four" CPA firms.

"Risk Weight Assets"

More "Mark to Market" work which will be very costly and non-productive busy work that after all is said and done will not be of any value. The only winner is the CPA firm that collected a fee to do many theoretical accounting entries. This will not help any bank customer or the community. Nor will it replace the need to examine a bank.

We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. Our compliance costs alone have increased 100% in the last 5 years.

Federal regulators may not be troubled by a country that has only a handful of banks. From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.

Sincerely,

Ed Lette
Business Bank of Texas, N.A.