



November 2, 2005

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

**Re: Capital Adequacy Guidelines for Bank Holding Companies; Small Bank Holding Company Policy Statement; Definition of a Qualifying Small Bank Holding Company**

Dear Secretary Johnson:

The Conference of State Bank Supervisors (CSBS)<sup>1</sup> supports the Board's proposal on Capital Adequacy Guidelines for Bank Holding Companies (BHCs) to increase the asset threshold from \$150 million to \$500 million for determining whether a BHC qualifies for the Board's Small Bank Holding Company Policy Statement. In fact, a few of the state bank commissioners that comprise the CSBS Regulatory Committee<sup>2</sup> suggest that a threshold of \$1 billion would also be acceptable.

The state banking departments believe that the asset threshold established by the 1980 policy statement has currently lost relevance due to inflation, industry consolidation and normal asset growth. By increasing the asset threshold to \$500 million, small BHCs may gain greater flexibility in managing capital, organizational change, and strategic opportunity. We believe any safety and soundness concerns generated by this proposal are sufficiently mitigated through our supervisory processes.

Thank you for your consideration, and we invite you to call on us if we can provide additional information on this proposal.

Best personal regards,

Neil Milner  
President and CEO

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<sup>1</sup> CSBS is the national organization of state officials responsible for chartering, regulating and supervising the nation's 6,250 state chartered commercial and savings banks and over 400 state-licenses branches and agencies of foreign banks.

<sup>2</sup> The CSBS Regulatory Committee is chaired by North Carolina Banking Commissioner Joseph A. Smith, Jr. and is comprised of an additional 36 state bank commissioners and deputy commissioners across the country.

**CONFERENCE OF STATE BANK SUPERVISORS**

1155 Connecticut Ave., NW, 5<sup>th</sup> Floor • Washington DC 20036-4306 • (202) 296-2840 • Fax: (202) 296-1928