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Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002
Basel, Switzerland

Via email: baselcommittee@bis.org

Re: Consultative Document*: Strengthening the resilience of the banking sector*

ViewPoint Bank welcomes the opportunity to comment on the above consultative document published by the Basel Committee on Banking Supervision, hereafter referred to as Committee. ViewPoint Bank is a United States federally chartered, $2.5 billion, public, community bank located in Plano, Texas.

We are concerned with the potential cumulative impact of the Consultative Document in its current form that would likely lead to higher costs of capital and lower returns that would make it difficult to attract and retain investors, thus creating a banking sector less resilient. We have highlighted specific concerns regarding the Basel Committee proposal; however there are many items in this document that has Macroeconomic and Market effects.

In the Consultative Document- ***Strengthening the resilience of the banking sector***:

- Treatment of Netting and Margin Agreements in Calculating the Leverage Ratio we have serious concerns that a "no netting" rule could create significant distortions in and disruptions to the markets for repurchase, derivatives, securities financing, and similar contracts as well as de-incent banks from employing appropriate risk management tools. We encourage the Committee to reconsider the "no netting" rule in order to permit netting under circumstances that demonstrate an appropriate reduction of risk.

- Inclusion of Off-Balance Sheet Exposures in the Leverage Ratio We believe that the inclusion of off-balance sheet exposures in the leverage ratio at a 100 percent credit conversion factor would not reflect appropriately the risks of many of these exposures, based either on the risk profile of the exposure or the presence of risk

mitigation, or both, that reduce the bank's risk. Off-balance sheet exposures with historically low risk profiles, such as short-term, self-liquidating trade-related and transaction-related contingencies, commitments that the bank has the unilateral right to cancel, and repurchase, derivatives, securities financing, and similar contracts that are supported by the risk-reducing benefits of standardized agreements and prudential requirements discussed above should be exempted from the calculation of any leverage ratio.

- Deductions from Tier 1 capital. Consideration should be given to certain deductions from tier 1 capital. We believe that experience shows that deferred tax assets net of conservatively established valuation allowances and net unrealised holding gains on AFS securities, as well as Mortgage Service Rights are, at least in substantial part, realizable assets that should be includable in tier 1 capital. We would encourage a study be completed in greater detail, perhaps with inquiries to leading international accounting firms that may have aggregated data that would support the realization of these assets against future earnings.

  It is commonly accepted that mortgage servicing rights have value to the servicing bank due to the present value of the expected net future cash flows from servicing assets. There is an active market for mortgage servicing assets, even in stress scenarios, and valuation information is readily and publicly available.

  A deduction for unrealized losses on investment securities does not reflect the often temporary nature of unrealised losses that are reversed as result of interest rate movement or market condition improvement. The deduction of losses related to non-credit factors such as rate moves would increase substantially the volatility of capital, and send misleading signals to the markets about the long-term value of the assets. Even during periods of stress, mark-to-market losses may bear little resemblance to actual losses or other-than-temporary impairments. We would, therefore, encourage the Committee to reconsider this treatment and postpone the recognition of unrealised losses until a time at which they become other-than-temporary impairments or actual losses.

- Establishment of Capital Buffers. We also encourage the Committee to allow the inclusion of the allowance for loan and lease losses (ALLL) and similar valuation adjustments as a component of the buffer. This would be an effective tool to combat procyclicality and would incent the growth of the ALLL and similar adjustments in more robust economic conditions. It would also help to address the issue of excessive growth in the ALLL as a result of accounting changes that

have created significant growth in on-balance sheet assets at banking organizations.

An increase in required levels of capital through a much more limited definition of tier 1 capital, the phase-out of hybrid capital instruments, the inclusion of additional assets on banks' balance sheets as a result of recent accounting changes, and the need to maintain buffers in addition to minimum requirements, would be expected to result in a substantial reduction in the ability of banks to perform their core functions and provide capital to the broader economy through loans, investments, and trading activities. This will impact bank customers and counterparties through higher costs of borrowing, investing, and trading and, thus, reduce the ability of banks to serve as an engine of economic recovery from a deep recession.

Thank you for your attention to these matters and for considering our views.

Sincerely,

Patti McKee

Patti McKee
EVP / Chief Financial Officer
On behalf of the Board of Directors
ViewPoint Bank