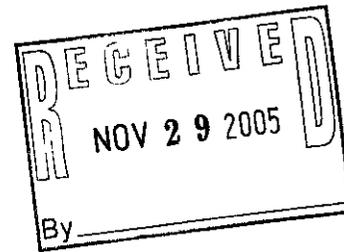




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Mr. Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

Regarding: Risk Based Capital Rules

November 18, 2005

Dear Mr. Feldman:

The concept of a single risk-based capital model does not recognize the obvious and increasing disparities within the financial services industry between community banks, regional banks and national/international banks. The differences in credit risk found in this stratification should be reflected in the associated capital requirements.

The model proposed in the Financial Institution Letter dated October 20, 2005 is far too complex for community banks and does not adequately address the credit risks seen at the largest banks, such as asset based lending, leveraged lease portfolios, energy loans and international intra-bank payment risk. And while small banks may be given the opportunity to opt out of the proposed framework, it may be at too high a price from a competitive perspective.

The changes in minimum capital requirements shown in Chart 1 indicates reduced capital needs for residential, home equity and small business - the predominant lending within community banks. Thus, the current capital allocation process overstates the capital needs of small banks in a Basil II environment.

The refinements suggested in the FIL, such as LTV and PMI adjustments for residential mortgages is undue burden for small banks as delinquency is the best indicator of risk level and is already addressed by the non-accrual allocations. The addition of a factor for large dollar exposure might be of value for small banks to recognize the significant impact of a single problem loan representing at least 1.5% of total assets.

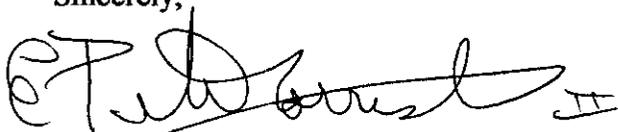
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The costs of the proposed changes are excessive for small banks. The numerous proposed parameters are not currently housed on the bank's loan system and the cost for reprogramming and to populate the fields would be significant.

In sum, one size does not fit all. And small banks should not be penalized with excessive capital requirements when their loan portfolios represent lower aggregate risk than their larger competitors.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Peter Forrestel II". The signature is written in a cursive style with a large initial "E" and a prominent flourish at the end.

E. Peter Forrestel II  
President