RIDGEWOOD SAVINGS BANK

August 2, 2012

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Via email: comments@fdic.gov

RE: Comments on FDIC RIN 3064-AD95 Basel III NPR

Dear Mr. Feldman:

On behalf of Ridgewood Savings Bank ("the Bank"), I appreciate the opportunity to comment on the FDIC RIN 3064-AD95 Basel III NPR ("Proposed Basel III NPR" or "Proposal").

Ridgewood Savings Bank is a mutual savings bank chartered in New York State and has been in business since 1921. The Bank employs approximately 800 people and maintains thirty-six service branches and provides banking services to over 300,000 individuals and businesses in the New York and surrounding metropolitan area. With $4.8 billion in assets, the Bank is ranked as the largest and highly capitalized mutual savings bank in New York State.

Overall, the Bank supports the Proposed Basel III NPR which set forth the Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action.

Although the Bank supports the Proposal, we encourage the FDIC to take this opportunity to make amendments to the Proposed Basel III NPR. We believe the following recommendation will improve capital requirements without increasing systemic risk.

- **Eliminate the Non-Significant Investments in the Capital of Unconsolidated Financial Institutions deduction**

The Proposal incorporates the Corresponding Deduction Approach for the deductions from regulatory capital related to reciprocal cross holdings, non-significant investments in the capital of unconsolidated financial institutions, and non-common stock significant investments in the capital of unconsolidated financial institutions. The proposed rule would require a banking organization to deduct any non-significant investments in the capital of unconsolidated financial institutions that, in the aggregate, exceed 10 percent of the sum of the banking organization's common equity tier 1 capital.

The Bank does not agree with the non-significant investments in the capital of unconsolidated financial institutions deduction. This deduction would have a significant effect on those banks that have purchased single issue Trust Preferred securities. These securities are treated as debt securities on the books of the banks that are holding these assets. Also, a deduction to capital may be imposed on those institutions that hold equity mutual funds that have a component invested in financial institutions. This would also pose an administrative hardship for those institutions that invest in equity mutual funds.

These debt and equity securities are subject to mark-to-market rules if classified as Trading securities or Available for Sale and are also subject to Other Than Temporary Impairment ("OTTI") rules, regardless of classification. Therefore, capital ratios would be adjusted in accordance with the OTTI rules and the proposed treatment of net unrealized gains/losses on available-for-sale debt and equity securities.

Our Bank's Regulatory Capital would decline by approximately 150 basis points as a result of non-significant investments in the capital of unconsolidated financial institutions deduction. We believe that reducing capital further by singling out an entire class of securities that represent non-significant investments in the capital of other financial institutions is severe and unwarranted. This could also be construed by the public that the regulatory agencies do not have confidence in the banking system and are overall concerned with the health of our financial institutions.

Overall, we commend the FDIC and other agencies in their efforts to improve the quality of regulatory capital and reduce systemic risk. The Bank appreciates your attention to this matter and the opportunity to comment on this issue.

Sincerely,

Leonard Stekol

Leonard Stekol, CPA
Senior Vice President & C.F.O.