GULF COAST BANK
& Trust Company

July 25, 2012

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

Dear Mr. Feldman:

As we have reviewed the proposed Basel III Capital Standards we noticed that the intent is to "strengthen the quality and loss-absorbance safeguards provided by regulatory capital and enhance banks' abilities to continue functioning as financial intermediaries, including during periods of financial stress.

Our first observation is complexity favors large banks. Without intending to, this will continue the pressure on small banks. This cumulative pressure will cause further consolidation and encourage more small banks to exit the banking business.

A simple proposal would be to allow banks below $10 billion to continue the same capital structures that currently exist.

This simpler approach would affect a large number of banks but a relatively small percentage of banking assets (approximately 15%).

The rule is also overly proscriptive. Bankers, particularly at the community level, will learn from their mistake and adjust accordingly.

Within the rule there are several provisions that will harm community banks without enhancing safety and soundness.

The capital cushion rules do not distinguish between tax dividends for Subchapter S banks and regular dividends.

A C-Corp must pay taxes when due. An S-Corp has the same obligation. If you do not allow S-Corps to pay tax dividends their shareholders will face a possibly intolerable burden.

This desperate treatment will not affect any of the large banks, only community banks. A reasonable amendment would allow tax dividends, there leveling the playing field.

The requirement to retain capital for mortgages that have been sold for the entire buy back period is also unreasonable. Very few loans are repurchased during the buy back period. In today's tight underwriting environment, the new buy backs are close to zero.

This 100% capital treatment is disproportionate to the risk.

In conclusion this rule continues and exacerbates the trend toward consolidation. We urge you to reconsider.

Sincerely,

Guy Williams

Guy T. Williams
President