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October 12, 2012

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gov
Docket R-1430 and R-1442
RIN No. 7100-AD 87

The Honorable Thomas J. Curry, Comptroller
Office of the Comptroller of the Currency
regs.coments@occ.treas.gov
Docket ID OCC-2012-0008 and OCC-2012-0009
RIN 1557-AD46

The Honorable Martin J Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
comments@fdic.gov
RIN 3064-AD95 and RIN 3064-AD96

Re: Basel III Capital Standards

Heads of Agencies:

Thank you for the opportunity to provide comments on the Basel III Capital Standards recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

Pinnacle Bank is a $560 million commercial bank in rural Georgia and is representative of many community banks across the United States. Banks such as Pinnacle serve an important role in the communities we serve by providing financial services to areas ignored by the capital markets and money center banks. Basel III has a direct negative effect on banks like ours and the communities we serve.

If implemented as proposed, Basel III will limit the availability of credit to the very individuals and small enterprises you are purported to be concerned with. For example, in rural communities such as those we serve in northeast Georgia, mortgages often do not fit in neat little boxes. By arbitrarily assigning unreasonable risk weighting to non-

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conforming real estate loans, Basel III will discourage banks from advancing mortgage loans in smaller markets. These standards will drive banks away from the mortgage business and consumers toward unregulated, non-traditional lending sources.

Community banks such as Pinnacle do not have access to capital markets and are generally reliant on creating capital internally or relying on whatever may be available from local public investment. By increasing capital standards and introducing volatility in the calculation of regulatory capital, Basel III restricts the efficient use of capital and negatively impacts returns to investors. The practical effect of the implementation of Basel III is to increase risk and reduce returns. While you may not be concerned about investor returns, higher risk and lower returns will drive investors away from investing in banks. Rather than creating more capital, Basel III actually lowers available capital to the banking industry thereby undermining your purpose entirely.

You will undoubtedly receive more detailed and learned responses from industry analysts and larger institutions. We are a small community bank and simply small business owners. Basel III may be well intentioned, but it is ill conceived and will have a detrimental impact on consumers and an industry dedicated to serving consumers and small communities. We urge you to reconsider and block implementation of Basel III.

With respect,

Jack McConnell

L. Jackson McConnell, Jr.
President/CEO