

From: Don Reynolds [mailto:DonR@regionalmissouri.com]
Sent: Thursday, October 11, 2012 6:42 PM
To: Comments
Subject: Re: FDIC RIN 3064-AD95, FDIC RIN 3064-AD96, and FDIC RIN 3064-AD97

October 11, 2012

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Via email at comments@fdic.gov

Re: FDIC RIN 3064-AD95, FDIC RIN 3064-AD96, and FDIC RIN 3064-AD97

Dear Mr. Feldman:

Thank you for allowing me the opportunity to express my concerns regarding implementation of Basel III capital standards for community banks like ours. This bank is small (\$150 million assets) operating in 5 very small rural communities.

I note that in recent years we have increased staff time and expense to see that we are in compliance with various governmental regulations. Implementation of Basel III standards will increase this expense. A few thousand dollars per year has a lot larger impact on small banks than for the large complicated institutions.

I am concerned that Accumulated Other Comprehensive Income will become part of tier I capital. We at the present time designate most of our investment securities portfolio as Available for Sale. Under Basel III we would need to have very significant amounts of excess capital in times like today to be able to meet requirements should rates rise by significant amounts. The requirement of additional capital may very well prevent our being able to meet additional loan demand, or take advantage of expansion opportunities should they occur. Under Basel III we would likely designate most of our securities as Held to Maturity when we buy them. This approach would take away the liquidity value of the securities portfolio. I note that in the past several years that we sold 4 securities due to concerns for the financial condition of the entity that issued the bond. If we indicated that we intended to hold these bonds to maturity, it is unlikely that we would sell, thus increasing the potential for loss.

Most of the people in our communities are in the low to moderate income class. High risk weighting of these loans provides further temptation to fail to provide the credit needs of these people.

Our bank has a concentration of agricultural credit. Today that is good. I can well remember when holding a lot of agriculture loans was challenging at best. In the mid 1980's I was managing an area agriculture bank, which was a member of Missouri's largest holding company at that time. In 1985 I received a lot of pressure from both the holding company and the FDIC to get out of a significant number of farm credit relationships. I now have the benefit of 20/20 hindsight and note that most of the farm operations that we forced liquidation likely would have survived had they been afforded another year. Not only did we close some good business, but we also took much greater losses in the

process. If similar circumstances were to occur with Basel III risk weighting, there is no way that we could “work with” our borrowers. Risk weighting a significant part of our loan portfolio at 200% would quickly take a well-capitalized bank to woefully undercapitalized. Under that circumstance we could not provide leeway to our borrowers.

In summary, I believe implementation of Basel III as proposed would very negatively impact the way this and other community banks serve our customers and communities. Thank you for your time and consideration.

Sincerely,

Don Reynolds
Chairman

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