



PANOLA NATIONAL BANK

October 17, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation,  
550 17th Street, N.W.  
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals<sup>1</sup> that were 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”).

Panola National Bank has \$125 million in assets with approximately \$30 million in mortgage assets. Our 30 employees provide mortgages in 10 communities. The most likely result of this proposal is that it will cause us to raise capital. Our earnings will also be impaired. Our regulatory burden will increase. **Most importantly, it will limit the availability of mortgages in the communities where we offer loans.**

It also appears that the proposal will play into the hands of the large, multistate lenders to the detriment of community banks. **Rural borrowers in Texas, due to recent federal laws, are already confronting a market in which banks are making fewer mortgage loans. This proposal will only make it worse.**

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<sup>1</sup> The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. **Our compliance costs alone have increased 100% in the last 10 years.**

It appears that as proposed, Basel III will require us to change our internal reporting systems and provide additional employee training. More than likely we will have to hire additional employees. The complexity of the data requests probably means that we will also have to install new software systems and/or look for third parties to provide them. **None of these requirements will allow us to help our customers in our community. The compliance costs will pull money out of capital and earnings rather than help our borrowers.**

The increasing cost of compliance for community banks is leading to more consolidation within our industry. Basel III, as proposed, will only accelerate this trend. Federal regulators may not be troubled by a country that has only a handful of banks. **From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.**

Panola National Bank has \$125 million in assets and at this time has approximately \$32 million in AFS securities. How should our bank deal with this proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? **If so, we are taking resources from customer needs and bank growth.** Should we limit our investments in longer duration assets? How will this affect local governments and the housing markets? This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.

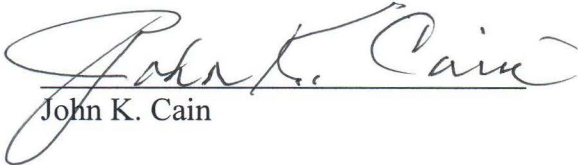
We are a community bank and, as such, should not be thrown into the “mark-to-market” frenzy that has consumed other segments of the financial services industry. The most likely result of this proposal will be an increase in employee time to monitor our AFS portfolio. This may also require us to purchase software to stay in compliance. Both would lead to less time and service for our customers.

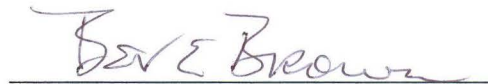
Submitted by:

The Board of Directors of Panola National Bank

  
Warren T. Biggs


  
Gary W. Claxton


  
John K. Cain

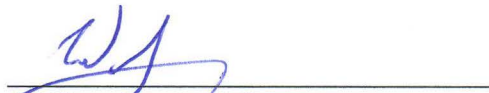
  
Bev E. Brown

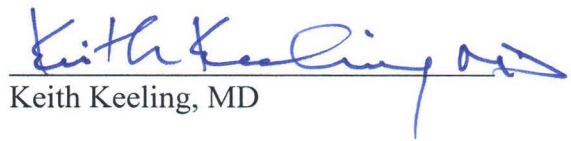
  
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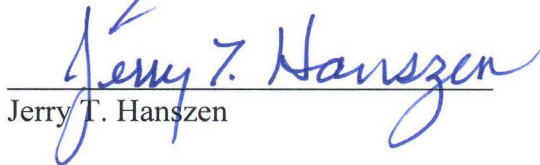
  
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