
From: Clark J. Cunningham <ccunningham@ecommunitybank.org>
Sent: Friday, October 19, 2012 12:01 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD-96, and RIN 3064-D97

October 19, 2012

The Honorable Martin J. Gruenberg

Acting Chairman

Federal Deposit Insurance Corporation

550 17th Street, N.W.

Washington, D.C. 20429

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

Dear Mr. Gruenberg:

We appreciate the opportunity to comment on the Basel III proposals addressed above. These proposals were recently approved by the FDIC and other regulators. I am President & CEO of Community State Bank, a \$135 million bank headquartered in Spencer, Iowa. I am very concerned about this approach to capital, especially as it pertains to small community banks. I understand the need for strong capital standards and we are more than willing to continue to see capital standards increase for both small and large banks, but this proposal was not designed for small community banks whatsoever. The entire proposal should be abandoned or small community banks should be specifically exempted from the provisions in this proposal.

The primary requirement that we are extremely concerned about are the gains and losses for securities on an available for sale (AFS) basis, flowing to regulatory capital. This proposed rule requires all unrealized gains and losses to flow into the common equity section of our balance sheet and would introduce significant volatility into our capital calculations. It is not appropriate to reflect gains or losses directly into the capital base when they may be fully covered by offsetting liabilities. We may carry the majority of the securities to maturity with no effect to our capital or profits since they may be offset with term liabilities. If our balance sheet is properly structured with appropriate asset and liability management, there should not be any significant effect in the long term to our balance sheet or capital by carrying these securities.

On behalf of my bank, I would respectfully ask that you eliminate this requirement to flow through all gains and losses into our common equity Tier I Capital Ratio.

Thank you.

Clark J. Cunningham

President and CEO

NMLS#797882

Community State Bank

1812 Hwy Blvd

Spencer, IA 51301

(712) 262-3030, fax (712) 264-0798

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