# MID-MISSOURI BANK®

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Member FDIC

October 21, 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:

I would like to thank you for the opportunity to comment on the proposed capital rules. These rules have implications throughout the banking industry, but are especially onerous for community banks. While the overall complexity and more stringent capital standards are problematic, the following specific issues are of particular concern:

- Trust Preferred Securities Excluded from Tier 1 Capital – Trust Preferred securities should not be phased out from capital considerations, especially not immediately. The proposed rule should be revised as smaller community banks were specifically excluded in Dodd-Frank from the phase out of Trust Preferred Securities as Tier 1 Capital. Should you feel that Trust Preferred Securities should be phased out, phase them out over the last 10 years until they mature. Many banks have Trust Preferred Security issues that do not mature for 20+ years.
- Requiring Unrealized Gains and Losses Flowing Through Capital – Allowing unrealized gains and losses of Available-For-Sale securities to flow through Tier 1 capital would discourage banks from engaging in routine activities, used as an important asset-liability management tool. Additionally, rising interest rates (which is a significant risk as interest rates are currently at historical lows) would put significant downward pressure on community banks' capital levels, hurting our local economy by limiting growth in community banks.

- Substantial Increase in the Risk Weighted Asset Amount for Residential Mortgages – The Standardized Approach needs to be fully withdrawn, as it increases interest rate and other risks within these asset categories of community banks. Today, flexibility in loan structures (including both, ARM and balloon structures) lowers community banks interest rate risk, while matching up the needs of the specific customer. Should the Standardized Approach not be fully withdrawn, any final rule should grandfather all existing mortgage exposures, by assigning them risk weights as required under the current risk-based capital requirements.

The events of the last several years certainly give credence to the need for improved capital standards. However, the cumbersome and onerous standards of Basel III were designed for large, complex, and international banks. Applying these same standards to community banks will have wide ranging (and largely unknown consequences). The Basel III Proposal needs to be withdrawn in its entirety or we face significant risk of causing great harm to our economy by limiting growth in community banks.

Sincerely,

Brian Riedy
Chairman/COO