From: Greg Gannon <GGannon@dewittbank.com>
Sent: Friday, October 19, 2012 5:36 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

I am writing to express my opposition to the proposed “Basel III” capital standards. This proposal will be burdensome for my bank to implement and will be counter-productive in encouraging the types of lending and investments that are important to my community.

As a small community bank in Iowa, we do not have the systems capability to capture the data necessary to perform some of the calculations required of the proposed standards. Additional investments in systems and/or staff to demonstrate compliance with the proposed regulations is non-productive as the benefits are far less than the cost given the non-complex nature of our lending and investing activities.

Including unrealized gains or losses on investments classified available for sale as a component of regulatory capital is dangerous because this account is volatile and dependent upon the level and direction of interest rates. Including this component could have the effect of destabilizing capital and altering investment policies, thereby possibly reducing earnings and affecting our ability to manage interest rate risk and liquidity. In other words, if enacted this proposal could have the unintended consequence of adversely affecting other measures of our financial stability and strength.

This proposal would be confusing to the establishment of an adequate allowance for loan and lease loss (ALLL) under GAAP. The Basel III proposal requires additional capital for certain categories of loans as well as past due loans. This requirement sounds quite similar to the process we follow in establishing our ALLL. In effect, requiring additional capital for these higher risk loans beyond the establishment of an allowance account seems to be redundant and would have the effect of overstating capital requirements and/or excessively charging earnings to fund the ALLL for an institution experiencing asset quality deterioration.

While it makes sense for the largest United States banks transacting international business to be held to the same international capital standards as foreign banks, it is not appropriate for small community banks to be held to the same standards. I therefore suggest that small community banks like ours be exempted from these proposed rules as well as their small bank holding companies.

Respectfully,

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