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September 18, 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 proposals¹ that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. While I appreciate the concept of building more capital in our industry, I have concerns of the impact on community banks such as the Denison State Bank (DSB).

Community banks such as DSB have historically been the hub of financial activity in rural communities and operate in such a way that does not risk that fiduciary responsibility. DSB has maintained higher capital levels throughout its history to protect itself through tough economic times and avoid the risks that the larger, more complex banks readily took on and ultimately caused the situation that we are in. To penalize the community bank by imposing more complex regulation that essentially makes it more difficult to lend – and therefore affects the accumulation of retained earnings – actually jeopardizes the community bank model that has built the strong capital base we have.

¹ 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.*

I urge you to reconsider the current proposals that paint the entire industry with a proverbial "broad brush". DSB supports the intent of Basel III, but changes need to be made as to the applicability to factors such as asset size, risk, and complexity of the financial institution. I strongly feel this could hamper the ability of the financial industry to help the nation recover from one of our worst economic situations in a lifetime. Thank you.

Sincerely,



Steven M. Bowser
Executive Vice President