

October 12, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N. W.  
Washington, D. C. 20551  
Basel III Docket – 1442

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N. W.  
Washington, D. C. 20429  
Base III RIN 3064-AD95, RIN 3064-AD96, RIN 3064-D97

Office of Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, D. C. 20219  
Basel III Docket ID OCC-2012-0008, 0009, 0010

***Re: Basel III Capital Proposals***

Ladies and Gentlemen,

We appreciate the opportunity to comment on what we believe to be critical and somewhat pivotal rulemaking pronouncements for the banking industry. Your extension of the comment period is greatly appreciated. We offer the following comments respectfully and with appreciation for your duties and role in the financial industry of the United States of America.

Bryant Bank is a \$1.1 billion community bank headquartered in Tuscaloosa, Alabama with 14 offices in the State of Alabama. Bryant Bank was created to serve the communities in which it has locations and to serve other communities in the State of Alabama by providing correspondent banking services to other community banks within the State of Alabama. We offer the following comments from both the perspective of managing the current financial condition of Bryant Bank as well as on behalf of community banks in general.

The International Framework for Banks better known as Basel III has the intent to standardize the capital requirements globally for the banking sector. However, other countries do not have a widely dispersed community banking sector that has such an impact on our local economies as does the United States.

The provisions of the Basel Accords are meant to standardize the treatment of capital, however, the available sources of capital to community banks in the United States are not comparable to those of "Systematic Important Institutions" as indicated in the Basel III Accord, and will result in a negative impact on community banks.

Community banks support the local economies of the markets served with typically local ownership and a focus on the lending needs of businesses and consumers in that local area. Therefore, the capital to support the community banks typically comes from local sources or at best regional sources. The proposed rule regarding Capital Provisions and the impact of the Proposed Rule, Accumulated Other Comprehensive Income (AOCI) as a component of Tier 1 Capital would impact typical community bank balance sheet management and capital levels.

The valuations of debt securities primarily change as a result of fluctuations in a benchmark interest rate, as opposed to changes in credit risk (for example U. S. Treasuries and U. S Government agency debt obligations). Community banks would not be able to leverage their balance sheet due to a gain in their securities portfolio which would artificially inflate the capital account. This would not encourage additional lending in the marketplace. Conversely, in a rising interest rate environment, the same capital account would be negatively impacted due to the AOCI resulting in regulatory scrutiny for the community bank to raise additional capital. A potential unintended impact of the AOCI rule would be a strategy for the community bank to shrink their balance sheet to shore up the capital account. This would then restrict lending in the local markets and impact the economic stability to the community served by the bank. Across the United States, this would have a duplicative negative effect from an imposed rule rather than a potential economic downturn. Additionally, the unintended consequences could delay an economic recovery as we are currently striving to recover from an economic recession.

We request that the AOCI provisions not be included in the final rule due to wide fluctuations to the capital accounts at banks in the United States. This will bring about inaccurate reflections of capital at banks to support the current balance sheet at the time of reporting.

Banks have conducted calculations regarding the impact of Basel III to their institution based on the AOCI and the adjusted risk weighted assets formulas. These analyses provide a snapshot picture of the Basel Accord looking backward at the most recent quarter end balance sheet. We agree that stronger capital ratios will provide better preparation for the next economic downturn or catastrophic financial recession experienced by the country. We do not believe that community banks should be under the Basel III provisions and that only "Systemic Important Institution" classified banks should fall under these provisions. The local community bank typically has less sources of capital available to them which means the increased minimum capital ratios and then also an increased risk weight per loan category could restrict the community bank's ability to deploy as much lending capital to their local market over time. We also believe the two variables affecting the capital account (AOCI and the revised risk weights) could create a capital ratio that is not consistently analyzed across the banking sector. The variables would be different on banks' balance sheets which could restrict true comparison and analysis for regulators and peer analytics on an ongoing basis.

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We appreciate the opportunity to comment on the Basel III Accord notices of proposed rulemaking (NPRs). We hope the regulatory agencies will take the comments as they are meant which is to work together to both strengthen our industry. It is extremely important for the community banking sector to be able to continue to have the ability to serve the local communities and rural America where we live, work, worship, maintain and create jobs through service to the communities. Based on the negative effects that the Basel III Accord will have on community banks, we request that they be exempted from these provisions. Thank you for your consideration of this response letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Claude Edwards", with a stylized flourish at the end.

Claude Edwards  
President

CDE/kbs