October 1, 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:

Because of the way we structure our balance sheet, our bank will not be overly negatively impacted by the Basel III requirements. However, a bank that holds a significant securities portfolio without appropriate capital will be. The new Basel III capital requirement to include unrealized gains (losses) in the calculation will cause future banking crisis. The main reason why a securities portfolio will fall in value is due to the change in market rates upward. If rates move up, the portfolio will likely lose value based upon its duration. But, it isn't fair to include the negative impact of the loss in value in securities without looking at the likely positive impact in value of the deposit portfolio because market rates may be higher than the cost of funds.

In summary, it doesn't make sense to look at the impact to capital of one asset class without looking at the rest of the balance sheet. Looking at this in isolation may cause a severe banking crisis, especially in light of the extreme increase in the Federal Reserve's balance sheet and the consequences we all so anxiously anticipate.

The answer to our problems is in gold and not an increase in regulation which keeps ignorant bankers in banking.

Sincerely,

Matt Stull
Vice President, Finance
First Sentinel Bank