High Country
BANK

BUILDING FUTURES
TOGETHER

Celebrating 125 Years of Service

October 19, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corp.

Office of the Comptroller of the Currency
Washington, D. C.

RE: BASEL III Requirements

Ladies and Gentlemen:

Thank you for the opportunity to address my concerns about Basel III. Allowing comments on proposed regulations is a privilege and one of the wonderful things about being an American Citizen. Our Fore Fathers granted us "Freedom of Speech and Press" through the Constitution, which has survived for hundred of years. For this, we should all be grateful.

I am President/CEO and Chairman of the Board of a $184 Million community bank in the heart of the Rocky Mountains in Salida, Colorado. Our bank was established in November of 1886 as a result of the need for home financing in our community. By viewing the original minutes, which we have on record, it was clear that the initial intent was to serve the needs of our community in a safe, sound, and conservative manner. Over one hundred twenty-five years later, I can attest that this is the primary mission of our Bank.

High Country Bank is a state-chartered federal reserve member commercial bank, serving three small mountain communities in south-central Colorado; Salida, Buena Vista, and Canon City, Colorado. We have deep roots within the communities we serve. Our employees are dedicated to the cause of the communities we reside in. Having been fortunate to have been an employee here for over thirty-four years, I have had the priceless experience of seeing many regulatory changes and Congressional actions facing the financial industry. Our Bank's original charter was that of a thrift, having been both state and federally chartered. Additionally, our bank has been a mutual savings and loan, a SEC Stock company, and currently an OTC pink sheet stock-owned commercial bank. I consider this bank to be a proud survivor. We endured the 1980's savings and loan crisis and most recently, the 2008 financial crisis. We are a proud, respectable, and financially sound bank. We know community banking and our communities which are made up of our patriotic friends and neighbors.

The initial problem that I have with the proposed Basel III Capital requirements is it's place of origin. I understand our global economy, but I have a difficult time coming to terms with the fact that the Basel III agreement came from a summit of international regulators in Switzerland. Why would the United States' financial regulators be so influenced by European bankers. The world is in a financial mess, particularly in Europe. From our community point of view, most of our customers have never been out of the United States, so why subject them to capital rules orchestrated by international agreements. I am a proud American that expects more leadership and independence from my country. I firmly believe that Basel III should be scrapped and the United States regulators consider perhaps Potomic I capital regulations for the many small community banks in America. The current ones in place are serving community banks appropriately.

From a technical standpoint, most community banks do not require nor deserve the regulatory burden and complexity of Basel III. Small community banks did not create the financial crisis, they were made victims. Small community banks do not pose systemic risk to the financial system. Therefore, why subject us to complex capital requirements, which create road blocks to helping the economies in our communities. One of our most successful operating motto is KISS.

I believe all bankers understand the systemic risk of the larger banks who operate world wide. However, Basel III requirements for all banks still does not address the "Too Big to Fail" issues, which has given large banks a world wide competitive advantage. The complexity and regulatory burden of Basel III just increases the risk exposure and competitive disadvantage. The regulatory overkill continues to be a disportionate heavy burden on smaller community banks.

Particularly disturbing is the capital recognition of gains and losses on Available for Sale Securities. I was in this business when FASB created Held to Maturity and Available for Sale. It is critical from a liquidity standpoint that Banks be allowed to maintain liquid assets that are Available for Sale in order to fund loan demand and have the ability to protect itself from an unusually high and unexpected amount of deposit withdrawals. Again, this penalized the conservative community banks, while doing little to discourage mega banks from taking excess risks in their trading activities. Significant or unexpected increases in interest rates could financially cripple small banks if unrecognized gains and losses of Available for Sales Securities were deducted from capital. Large banks should have the capital to absorb trading losses. All banks should have the ability to manage investments and liquidity without being penalized for changes in interest rates that may "shock" the financial markets. Interest Rate Risk guidance is currently sufficient to monitor and manage that risk.

In summary, I respectfully request that the regulatory agencies reconsider Basel III. I urge the United States of America regulators to take the leadership role to author new regulations on capital to apply to mega banks that create systemic risk and allow community banks like High Country Bank to spend our time helping our community members, friends, and neighbors create jobs and stimulate the American economy. The current capital rules serve communities appropriately.

Respectfully submitted,

Larry D. Smith, President
High Country Bank