COMMUNITY NATIONAL BANK

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:

Thank you for the opportunity to provide comment on the Basel III proposals[1] that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

We are a $270 million bank located in the Midwest. Our bank is not publically traded but does have 450 shareholders. The potential impact of Basel III is concerning to us and ultimately to our customers, community and our nearly 100 employees. As we have gone through the wave of new laws and regulations that were meant for the large, complex banks; we have found our bank dramatically affected by the unintended consequences of these changes. This proposal has the potential to once again have a significant impact on smaller community banks like us.

Why should you care about smaller community banks? We are the lifeblood of small business, which in turn drives our economy. Many of our business customers would struggle to find a bank that would serve their financial needs without us. In addition there are several factors in the proposal that may cause smaller banks to slow or drop their home loan activities. This is true for smaller community banks like us throughout the nation. At a time when our entire country is trying to rebound from a stagnant economy we certainly don't need more roadblocks to progress.

[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*.

While our bank may not be immediately impacted by the need to raise more capital, we will certainly be impacted by the proposed capital rules that are extremely complex. This adds another level of compliance and expense to community banks throughout the country at a time when we are trying to absorb the mountain of new requirements from the Dodd-Frank Act. When is enough, enough?

If it is the goal of the national regulators to reduce the number of smaller banks in the country this would certainly be another good step. We frequently hear from regulators that this is not the case, but the recent flurry of regulations and change would indicate otherwise. It might be a good idea for you to visit a small community bank and discover the volume and level of compliance and reporting requirements that we are dealing with. We certainly can't afford more.

As an alternative, all national regulators currently have the ability to monitor and enforce capital levels. That has been clearly evident during the current recession. That system has worked well for many years. At our size it makes more sense to have a regulator that is more familiar with our banks discussing and evaluating the appropriate levels than some global formula designed for money center banks.

We clearly understand the importance of capital. We talk to our own customers about it all the time. However, adopting new global rules that hurt the backbone of our economy simply makes no sense. As you review the proposed rules we encourage you to acutely evaluate the necessity for this at the community bank level and seriously consider the unintended consequences.

Sincerely,

Josef M. Vich

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